

The image consists of a uniform grid of 60 identical text elements. Each element is composed of three stacked lines of text:

- The top line reads "Action Action" in a bold, black, sans-serif font.
- The middle line reads "Synergy Strength" in a smaller, lighter gray, sans-serif font.
- The bottom line reads "Cooperation" in the same smaller, lighter gray, sans-serif font as the middle line.

The entire grid is set against a solid light gray background. The text elements are evenly spaced both horizontally and vertically, creating a repetitive pattern across the entire image.

1994 | ANNUAL REPORT



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Note to reader:

The masculine gender as used in the text is non-exclusive and used solely for ease of reading.



THE MOUVEMENT DES CAISSES DESJARDINS

COMPANY PROFILE

The Mouvement des caisses Desjardins has assets totalling \$76.9 billion. Among the most extensively integrated financial institutions in the world, it offers a full range of financial services to its members and clients, and its prospects for future expansion are very promising thanks to its financial strength and reputation. While always striving to maintain financial balance, Desjardins has undergone remarkable expansion since the creation of its first caisse at the beginning of the century.

What makes it truly unique among financial institutions is its cooperative nature. Dedicated entirely to the interests of its members and the community, this uniqueness is reflected in its regulations, operating methods, business practices, human resource management, and its commitment to the community.

Administered by its members, this vast financial network is made up of two sectors, the cooperative sector and the corporative sector.

At the core of the cooperative sector are 1,469 caisses located throughout Québec and the French-language communities of Acadia, Manitoba and Ontario. The caisses

are grouped within 14 federations, which are themselves members of a confederation. The rallying point of the Mouvement, the Confédération is responsible for the orientation, planning and coordination of the Mouvement's activities.

The cooperative sector also includes Caisse centrale and a security fund organization, as well as a company which, as of 1995, will be assuming the role of the network's capitalization agent. Four corporations linked to the Confédération are involved more particularly in international cooperation, training, education and culture.

The holding companies that comprise the corporative sector are active in insurance, industrial and commercial investment, trust services, funds management, securities brokerage, securities transportation, credit card processing and banking services (through the Laurentian Bank, in which Desjardins holds a 57.5% share).

In addition to being a major financial institution, the Mouvement has substantial leverage that will help ensure our organization's future development. With 5.4 million members, close to 19,000 elected officers and some 48,000 employees (42,000 in Québec), it is the largest private-sector employer in Québec. Widely known for its ex-

pertise, know-how and qualified personnel, Desjardins, by its inalienable nature, is also one of the most valuable resources of our economic heritage.

Owners of this vast network, the caisses populaires and caisses d'économie – credit unions – act as the doorway for members and clients interested in activities and projects at the local, regional, national or international level. Today, in concert with the companies they have acquired, the caisses offer much more than just conventional savings and credit products. In spite of this expansion of services, however, they remain associations of persons who own and democratically control a financial services institution that supports community projects of all sizes, and is committed to saving jobs.

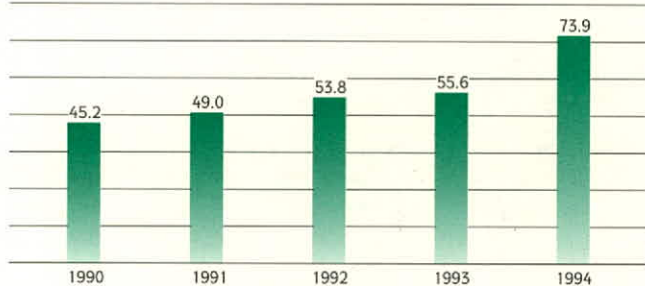
The Mouvement des caisses Desjardins has been serving its members and the community since the creation, in 1900, of the very first caisse in Lévis, Québec, and will continue to do so through its ability to innovate, the synergy of its components and the strength of cooperative democracy.

Serving
the **COMMUNITY**

FINANCIAL INDICATORS

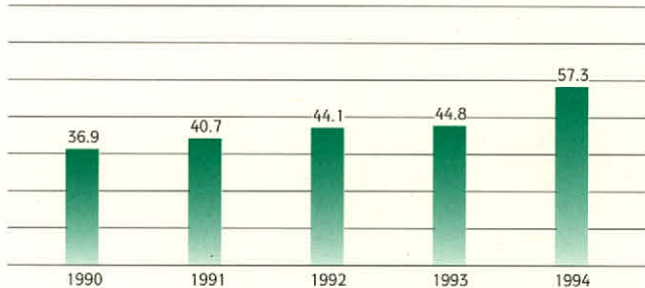
TOTAL ASSETS

(\$ BILLIONS)



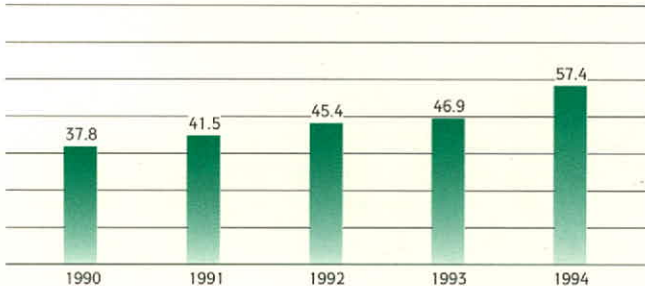
LOANS

(\$ BILLIONS)



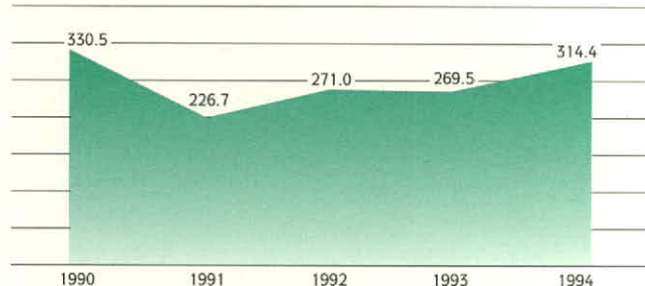
DEPOSITS

(\$ BILLIONS)



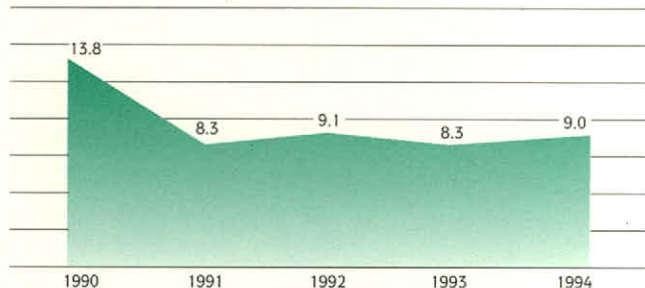
SURPLUS EARNINGS FOR THE YEAR

(\$ MILLIONS)



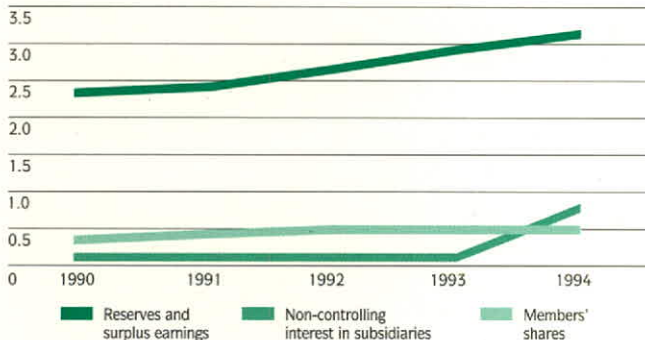
AVERAGE YIELD ON EQUITY

(%)



CAPITAL MIX

(\$ BILLIONS)



Note: The caisses and federations of Acadia, Manitoba and Ontario, which are auxiliary members of the Mouvement des caisses Desjardins, are excluded.

HIGHLIGHTS

FINANCIAL POSITION AS AT DECEMBER 31¹

(\$ MILLIONS)

	1994	1993	Change %
• Total assets	\$73,878	\$55,634	32.8%
• Loans	57,296	44,796	27.9
• Deposits	57,387	46,875	22.4
• Equity	3,640	3,358	8.4
• Capital ratio – BIS	9.8%	9.1%	–

OPERATING RESULTS¹ FOR THE YEARS ENDED DECEMBER 31¹

(\$ MILLIONS)

	1994	1993	Change %
• Net interest income	\$2,811.1	\$1,940.9	44.8%
• Non-interest income	2,810.6	1,534.3	83.2
• Surplus earnings for the year	314.4	269.5	16.7
• Average yield on equity (%)	9.0%	8.3%	–

EMPLOYEES OF THE MOUVEMENT DES CAISSES DESJARDINS

	1994	1993	Change %
• Cooperative network of Desjardins caisses in Québec	31,495	31,275	0.7%
• Caisses and federations in Acadia, Manitoba and Ontario	1,894	1,922	(1.5)
• Holding companies and other entities of the Mouvement	14,390	5,194	177.1

STATISTICS ON THE COOPERATIVE NETWORK OF DESJARDINS CAISSES

In Québec, French-language communities in New Brunswick, Manitoba and Ontario, and in Florida

	1994			1993		
	Québec	Outside Québec	Total	Québec	Outside Québec	Total
• Membership	4,958,196	454,407	5,412,603	4,874,641	446,437	5,321,078
• Number of volunteer officers	17,352	1,378	18,730	17,413	1,384	18,797
• Number of affiliated caisses	1,320	149	1,469	1,323	149	1,472
• Number of service counters	355	31	386	351	31	382
• Number of automated tellers	1,715	107	1,822	1,565	70	1,635

CREDIT RATINGS

The Mouvement des caisses Desjardins maintained high quality credit ratings over the past seven years, despite the more stringent requirements of rating agencies. They are as follows:

	Short-term	Medium- and long-term
• Standard & Poor's	A-1+	AA
• Moody's	P-1	Aa3
• Canadian Bond Rating Service	A-1+	A+
• Dominion Bond Rating Service	R-1M	AA

¹ The caisses and federations of Acadia, Manitoba and Ontario, which are auxiliary members of the Mouvement des caisses Desjardins, are excluded.

MOUVEMENT DES CAISSES DESJARDINS FINANCIAL ANALYSIS

This second part of the Annual Report will comment on the financial position and operating results of the Mouvement des caisses Desjardins for the fiscal year ended December 31, 1994, in comparison to last year's figures. This analysis excludes the caisses and federations of Acadia, Manitoba and Ontario, which are auxiliary members of the Mouvement. One section will deal exclusively with credit management, off-balance sheet commitments and capital.

A more detailed financial analysis covers the cooperative network, which consists of the Desjardins caisses and federations in Québec, the Confédération, the Corporation de fonds de sécurité de la Confédération and Caisse centrale Desjardins.

The main financial results for the other major components of the Mouvement will be presented separately. These components include:

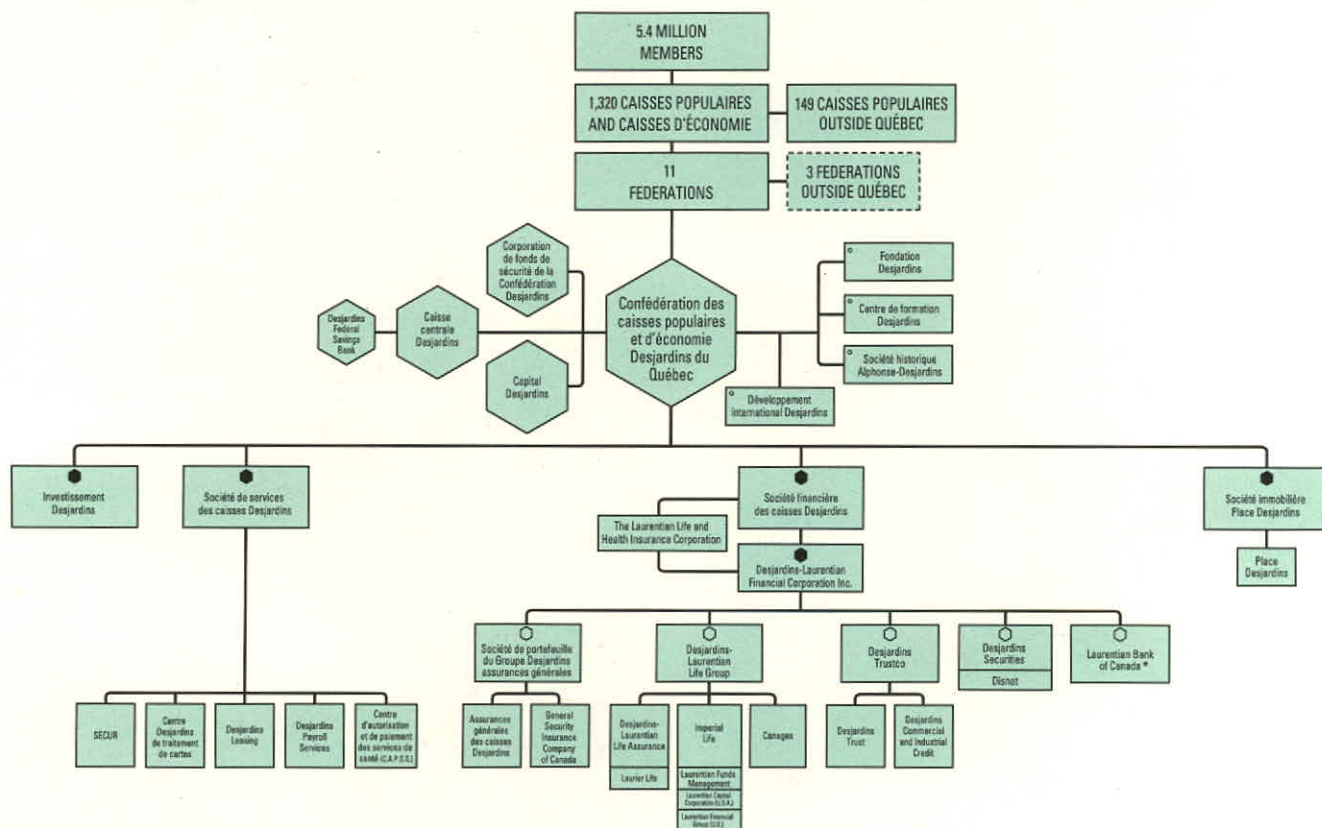
- the holding companies and their subsidiaries;
- the corporations linked to the Confédération.

The financial results for the cooperative network of caisses and federations in Acadia, Manitoba and Ontario (auxiliary members of the Mouvement) are presented on page 46.

For additional information on the strategic orientations of the Mouvement, please

refer to the first part of the Annual Report entitled *Review of Operations*.

On January 1, 1994, Desjardins became the controlling shareholder of The Laurentian Group Corporation and created the Desjardins-Laurentian Financial Corporation. At December 31, 1994, the Mouvement had total assets of \$73.9 billion. The Mouvement Desjardins directly or indirectly controls close to 80% of the shares of the Desjardins-Laurentian Financial Corporation, which is active in life and health insurance, damage insurance, trust services, securities brokerage, investment funds and banking services through its subsidiary, the Laurentian Bank of Canada, in which it holds 57.5% of the shares.



ECONOMIC CONDITIONS

The Québec economy clearly improved in 1994 compared to last year, but not enough to match Canada's performance. Québec's Gross Domestic Product (GDP) increased by 3.4% versus 4.5% for the Canadian economy. In 1993, it increased by 1.3% and 2.2% respectively.

Notable increases in domestic demand, and in consumer spending and residential housing starts in particular, especially in the first half of the year, were partly responsible for this rapid economic growth. However, non-residential investments and the fairly substantial contribution of the trade sector also helped the Québec economy to remain at a fairly constant level in spite of rising interest rates in the spring. Government spending, however, contributed nothing to this recovery given the state of our public finances.

In fact, our governments' mounting international debt has severely curtailed the Bank of Canada's manoeuvrability and, despite the central bank's commitment to an expansionist monetary policy in view of low inflation levels, it was forced to keep pace with U.S. increases in 1994.

Surpassing the most optimistic forecasts by far, the vitality of the job market in Québec was probably the best news in 1994. The unemployment rate dropped significantly with the creation of approximately 76,000 new jobs compared to only 13,000 in 1993. In fact, at the end of 1994, it was at 12.2%, a decrease of 1.0% over the previous year. The main beneficiaries were the individual and corporate services sector, the trade sector and the manufacturing industries.

The positive impact of this growth in employment was felt almost immediately, reviving consumer confidence. In spite of a more active job market, however, salary gains were negligible. Nevertheless, persisting deflation in Québec resulted in a 1.4% drop in the consumer price index and improved household buying power slightly. As a result of this renewed buying activity, retail sales increased rapidly, from 5% in 1993 to 7% in 1994. Predictably, however, the tightening of credit conditions begun in the second quarter of 1993 had a negative impact on consumer spending.

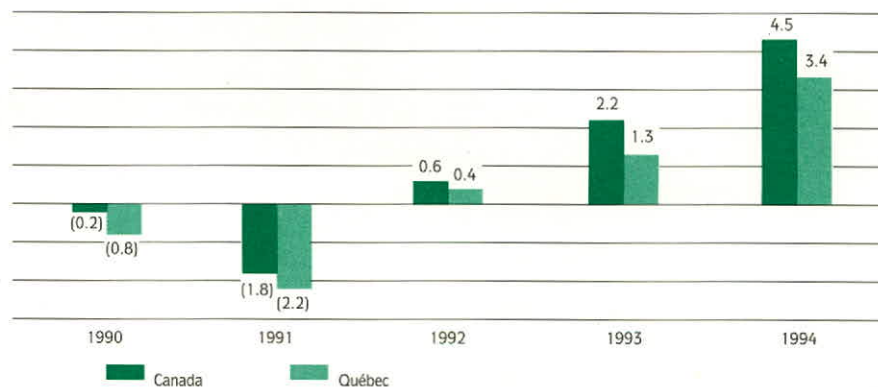
It was the housing market, however, that was hardest hit by high interest rates, especially the residential housing sector. After a promising first six months, housing starts began to fall, in step with rising mortgage rates. In fact, rising interest made property less accessible, emphasizing the persistently high household debt problem. Nevertheless, 34,154 housing units were built during the year compared to 34,015 in 1993, representing the first increase in over six years.

With respect to non-residential investments, 1994 was marked by machinery and equipment expenditures. With increased profitability levels, a number of companies were able to carry out or continue upgrading activities with a view to improving productivity. The trade sector, the devaluation of the Canadian dollar and the strength of the economy in the U.S., where 80% of Québec exports are sent, continued to extensively promote international trade.

Lastly, the economic prospects for Québec and the rest of Canada remain promising for 1995. The high productivity levels of companies, combined with the weakness of the Canadian dollar, will continue to favour exports. However, changes in U.S. interest rates, the value of the Canadian dollar and the severity of the measures that governments will eventually have to resort to in order to correct their budget situation could negatively affect growth potential.

REAL GDP GROWTH – CANADA AND QUÉBEC

(AT MARKET VALUE IN 1986 \$)



COMBINED BALANCE SHEET FOR THE MOUVEMENT DES CAISSES DESJARDINS

At December 31, 1994, the Mouvement des caisses Desjardins had total combined assets of \$73.9 billion, representing an increase of \$18.3 billion or 32.8% over last year. By creating the Desjardins-Laurentian Financial Corporation and becoming the controlling shareholder of The Laurentian Group Corporation, the Mouvement increased its assets by \$15.8 billion as at January 1, 1994. With this acquisition, the Mouvement Desjardins created a diversified and highly competitive financial group, thereby consolidating its already enviable position among Canadian financial institutions.

In fact, this transaction enabled the Mouvement to reinforce its distribution network in Canada and abroad. The other strategic benefits of this acquisition include greater synergy among the components in the area of business development and substantial cost savings. In addition, this rapid expansion and the additional income it generated, coupled with the traditionally dynamic nature of the Mouvement, has significantly increased its presence in most of its sectors of activity.

• **Financial intermediation activities**, especially in the areas of deposits and lending, are, of course, the basis of the Québec and Canadian financial systems. The Mouvement des caisses Desjardins has extensive expertise in these sectors. Thanks to its vast network throughout Québec, it enjoys an enviable position among all financial institutions.

The Mouvement's dynamic nature and the acquisition of The Laurentian Group Corporation have enabled it to post \$57.4 billion in deposits as at December 31, 1994, an increase of 22.4% or \$10.5 billion over 1993. With this level of accumulated savings (individual deposits accounting for 80.2%), the Mouvement ranks far ahead of its competitors in Québec.

In the area of credit, the Mouvement des caisses Desjardins again stands apart, with a significant presence in the Québec market. In fact, with a loan portfolio valued at \$57.3 billion as at December 31, up by 27.9% or \$12.5 billion since last year, it enjoys the distinction of being the most active lender in the majority of Québec credit markets. This is best illustrated in the household finance sector, where just over one out of two loans is granted by the Mouvement.

• **Life, health and damage insurance** is another of the Mouvement's strong suits. Through two subsidiaries, namely the Desjardins-Laurentian Life Group, the result of the merger of Desjardins Life and Laurentian Life, and the Société de portefeuille du Groupe Desjardins, assurances générales, the Mouvement ranks among the top companies operating in this sector in Québec and Canada.

As at December 31, 1994, direct premiums and contributions of the Desjardins-Laurentian Life Group amounted to \$1.7 billion while gross premiums written by the Groupe Desjardins, assurances générales, amounted to \$363.1 million.

• **Trust activities**, consisting of property administration and management, as well as other operations, is also a sector in which the Mouvement des caisses Desjardins performed well in 1994. As at December 31, 1994, total assets under administration and management within the Mouvement amounted to \$58.7 billion. This represents a significant jump of \$12.7 billion over 1993 owing primarily to the acquisition of The Laurentian Group Corporation. The results of these two sectors of activity were, of course, not posted on the Mouvement's balance sheet, but the commissions collected for these services are included in its income.

• **Securities brokerage** is an area of activity where the Mouvement des caisses Desjardins is continually expanding its presence. Through its subsidiary, Desjardins Securities, the Mouvement has been offering discount as well as full brokerage services for a number of years now. For example, in the independent investor sector, it holds nearly 50% of the market thanks to its Disnat discount brokerage division.

BALANCE SHEET

AS AT DECEMBER 31 (\$ BILLIONS)

	1994	1993
Assets	\$73.9	\$55.6
Loans	57.3	44.8
Deposits	57.4	46.9

PREMIUMS COLLECTED

AS AT DECEMBER 31 (\$ MILLIONS)

	1994	1993
Life and health insurance	\$1,750.9	\$780.9
Damage insurance	363.1	353.6

ASSETS UNDER ADMINISTRATION AND MANAGEMENT

AS AT DECEMBER 31 (\$ MILLIONS)

	1994	1993
Trust services to institutions and individuals	\$55,673	\$44,699
Investment funds	2,541	755
Mortgage-backed securities	443	525
Total assets under administration and management	\$58,657	\$45,979

COMBINED STATEMENT OF INCOME

SURPLUS EARNINGS

The Mouvement des caisses Desjardins recorded combined surplus earnings of \$314.4 million for the fiscal year ended December 31, 1994, an increase of \$44.9 million or 16.7% compared to 1993. Achieved while the Mouvement was involved in strengthening its competitive position and reinforcing its traditional areas of expertise and success, these results were also marked by two non-recurring items. One was a restructuring program adopted to redefine the mission of Desjardins Trustco and improve its financial position. Motivated by a deteriorating commercial real estate market, this program entailed the recognition of a \$72.1 million allowance for doubtful accounts for 1994, and \$9.3 million in special charges for reorganization. The other item was the dilution gain of \$41.8 million posted by the Société financière des caisses Desjardins, resulting from the public exchange bid to acquire The Laurentian Group Corporation.

Overall, net interest income derived from the intermediation between loans and deposits increased in step with growth in business volume and with interest rate fluctuations. In 1994, the Mouvement also improved its operational efficiency through skills development, self-service equipment, synergy from the merging of the operations of The Laurentian Group Corporation and the Société financière, and through strict management of its administrative expenses. The income generated by integrated products and services, namely in the area of insurance,

trust services and securities, grew significantly in 1994.

The Mouvement reported a return on equity of 9.0% versus 8.3% in 1993.

• **Contribution of the cooperative network of caisses.** The network's contribution to the Mouvement's surplus earnings jumped from \$101.7 million or 42.7% last year to a record \$339.8 million in 1994. This impressive rebound is due in part to strong growth in net interest income, the cooperative network's primary source of income, and to the excellent quality of its loan portfolio as reflected in a reduction of the doubtful loan ratio from \$0.37 per \$100 average assets in 1993 to \$0.34 in 1994.

Control of non-interest expenses was another important aspect of the network's results for the year ended December 31, 1994. In fact, thanks to tight control over operating expenses, for the third consecutive year the network managed to reduce the growth rate of its non-interest expenses minus other income (0.8% versus 0.9% in 1993), thereby ensuring continued improvement in productivity. This drop is equal to \$0.05 per \$100 average assets.

• **Contribution of the holding companies.** For the year ended December 31, 1994, the contribution of the holding companies to the caisses' income amounted to \$7.3 million compared to \$43.9 million in 1993, while Desjardins Commercial Assets Management Corporation – a company created to manage high risk loans – recorded a loss of \$32.6 million (\$12.5 million in 1993), which was absorbed by the Confédération.

• **La Société financière des caisses Desjardins** realized net consolidated gains of \$18.6 million (\$40.2 million in 1993). The impact of the non-recurring items mentioned previously, namely the restructuring of Desjardins Trustco which was offset somewhat by a dilution gain, amounted to \$39.6 million.

The financial results of the operating life and damage insurance companies improved by 17.5% or \$11.9 million from last year, for a total of \$79.9 million. However, these companies posted non-recurring gains in the amount of \$17.7 million in 1993. Excluding these items, their earnings increased by \$29.6 million, or 58.8%. Life insurance profit increases are primarily attributable to a favourable loss experience and to the implementation of effective cost control measures. The damage insurance business recorded excellent results owing to an increase in gross written premiums, a drop in claims experience and operating costs, and the growth of investment income.

• **Investissement Desjardins** ended the year with a deficit whose impact on the Mouvement amounted to \$12.9 million. This deficit was largely due to the extensive reorganization of its Culinar subsidiary, resulting in write-offs of assets and other non-recurring expenses.

• **La Société de services des caisses Desjardins** had a banner year in 1994. With \$1.6 million in net profits and \$600,000 paid in volume discounts to the Desjardins components, its overall earnings amounted \$2.2 million compared to \$1.9 million in 1993. This fine performance is the result of excellent cooperation from the network of caisses, and also the application of a rigorous management policy and a continuing commitment to meeting the needs of members, clients and caisses at the best possible prices.

MOUVEMENT DES CAISSES DESJARDINS – COMBINED INCOME

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993	1992	1991	1990
Cooperative caisse network	\$339.8	\$238.1	\$257.9	\$261.6	\$320.5
Holding companies	(25.4)	31.4	13.1	(34.9)	10.0
TOTAL ¹	\$314.4	\$269.5	\$271.0	\$226.7	\$330.5
Average yield on equity (%)	9.0%	8.3%	9.1%	8.3%	13.8%

¹ Surplus earnings for the Mouvement including those for the Acadia, Manitoba and Ontario caisses and federations (\$23.6 million) totalled \$338.0 million for the year ended December 31, 1994.

TOTAL INCOME

Total combined income amounted to \$8.3 billion compared to \$5.9 billion in 1993. This increase of \$2.4 billion or 40.7% is linked to the acquisition of The Laurentian Group Corporation, whose total earnings amounted to \$2.3 billion at the close of 1993, and to the period's regular activities.

Interest income amounted to \$5.5 billion, up by \$1.2 billion or 27.8%. Of this income, nearly 83.0% is attributable to credit activities. This rise in interest income, which alone accounts for 66% of the Mouvement's overall income, is mainly due to an increase in business, coupled with the 70-basis point jump in Canada's prime rate.

Income from insurance premiums and annuity contributions totalled \$2.0 billion as at December 31, 1994, up by \$1.0 billion and more than double last year's figures. This was largely due to the acquisition of The Laurentian Group Corporation and the period's regular operations. Of this income, \$1.7 billion was derived from the group insurance activities of the Desjardins-Laurentian Life Group and from Laurentian Financial's activities in the individual insurance sector. Net

premium income generated by Groupe Desjardins, assurances générales, amounted to \$298.0 million versus \$280.0 million in 1993, an increase of \$18.0 million or 6.4%. Sustained advertising and business conservation efforts along with improved sales initiatives were responsible for this performance.

Other operating income is derived from fee-based services such as chequing and deposit accounts and collection systems, investment management and custodial fees, fees primarily generated by trust activities, income derived from mutual funds, and various other sources of income. Totalling \$765.2 million versus \$535.6 million in 1993, up by \$229.6 million, a portion of this income is attributable to the acquisition of The Laurentian Group Corporation, whose other operating income amounted to \$132 million in 1993. Other operating income accounts for 9% of total income and has remained stable compared to last year.

COMBINED EXPENSES

Total combined expenses for the Mouvement amounted to \$7.5 billion compared to \$5.3

billion in 1993. This increase of \$2.2 billion or 41.5% is attributable to the acquisition of The Laurentian Group Corporation, whose 1993 expenses amounted to \$2.2 billion.

Interest expenses paid out primarily on member and client savings amounted to \$2.7 billion in 1994. The total of these expenses represented 36% of combined total expenses for the last fiscal year compared to 45% in 1993.

Expenses allocated to claims, benefits, annuities and the change in insurance provisions amounted to \$2.1 billion, up by \$1.2 billion over 1993, due to the additional business acquired in the insurance sector. Personnel, premises, equipment and other expenses totalled \$2.7 billion, an increase of \$670 million or 33.4% over 1993. However, significant savings will be generated over the next few years as a result of the merger of The Laurentian Group Corporation with the Société financière des caisses Desjardins and the restructuring programs implemented in some of the Mouvement's components to enable them to develop safely and profitably, and to adequately fulfil their mission.

MOUVEMENT DES CAISSES DESJARDINS - COMBINED INCOME

FOR THE YEAR ENDED DECEMBER 31 (\$ MILLIONS AND %)

	1994		1993		1992		1991		1990	
• Interest income on loans	\$4,590.8	55%	\$3,786.3	65%	\$4,190.5	68%	\$4,590.8	71%	\$4,719.2	72%
• Interest income on cash and securities	946.5	11	546.6	9	534.8	9	597.2	9	759.8	12
• Insurance premiums and annuity contributions	2,045.3	25	998.7	17	961.0	15	855.8	13	729.2	11
• Other income	765.2	9	535.6	9	474.7	8	414.1	7	334.0	5
TOTAL	\$8,347.8	100%	\$5,867.2	100%	\$6,161.0	100%	\$6,457.9	100%	\$6,542.2	100%

MOUVEMENT DES CAISSES DESJARDINS - COMBINED EXPENSES

FOR THE YEAR ENDED DECEMBER 31 (\$ MILLIONS AND %)

	1994		1993		1992		1991		1990	
• Interest expense	\$2,726.1	36%	\$2,392.0	45%	\$2,793.3	50%	\$3,359.8	56%	\$3,690.9	61%
• Insurance expense	2,070.4	28	874.7	17	874.6	16	801.9	13	689.3	11
• Other operating expenses:										
– Salaries	1,479.3	20	1,216.0	23	1,195.6	21	1,133.2	19	1,062.1	18
– Other	1,198.3	16	791.8	15	724.4	13	687.9	12	608.8	10
TOTAL	\$7,474.1	100%	\$5,274.5	100%	\$5,587.9	100%	\$5,982.8	100%	\$6,051.1	100%

CREDIT MANAGEMENT

The loan portfolio amounted to \$57.3 billion, a significant increase of \$12.5 billion or 27.9% over last year. This is due to the acquisition of The Laurentian Group Corporation whose loan balance as at December 31, 1993, totalled \$9.7 billion, and to business growth during the period.

The loan portfolio is made up for the most part of residential mortgage loans (\$32.5 billion or 56.1%), with \$5.7 billion being guaranteed by government. Historically, the risk of loss on these loans has been minimal. Including farm loans worth \$1.8 billion (74.3% government-guaranteed), total secured loans amounted to \$7.0 billion and represented 12.1% of total loans (up from 8.6% in 1993).

Outstanding commercial and industrial loans totalled \$12.9 billion as at December 31, representing 22.3% of the portfolio compared to 21.2% a year ago, a difference owing to the acquisition of The Laurentian Group. Non-residential mortgage loans amounted to \$6.8 billion and other business loans, to \$6.1 billion.

The caisses have commercial and industrial loan commitments with some 100,000 businesses, mainly in the wholesale and retail sectors (17.6%), the real estate and insurance agency sectors (16.3%), construction (9.2%), the hotel and restaurant sector (8.0%), and manufacturing industries (7.2%).

Given that a high proportion of the portfolio is in mortgage loans and government-guaranteed loans, and that these loans are issued to a large number of small businesses, the portfolio's overall credit risk is below the average for Canadian financial institutions. In difficult economic times, this diversification of financial commitments, coupled with the caisses' expertise in this area, constitutes a major asset for the Mouvement and provides excellent risk protection.

The Mouvement Desjardins revised its credit risk management policy in order to establish loan concentration limits per borrower and groups of borrowers based on capital, as set out in the guidelines of the Bank for International Settlements. A new loan classification structure will facilitate sector concentration risk measurement and monitoring within the caisse network.

In 1994, some important events took place in the area of individual credit. Taking advantage of the new Civil Code, in March 1994 the caisses were first to offer a new Desjardins mortgage option called Multi-project. This option enables new mortga-

gees to reborrow a portion or all of the principal repaid on their loan, up to the initial amount of the loan, to invest in new projects. The Desjardins caisses also participated in the "Accent on Renovation" program launched by the Government of Québec at the beginning of 1994. In fact, they were responsible for granting 60% of the loans issued under this program. In the area of business financing, they were very committed to the federal government's small business loans program (*Small Business Loans Act*), and the Mouvement also participated in the provincial start-up investment program.

DISTRIBUTION OF LOAN PORTFOLIO

AS AT DECEMBER 31 (\$ MILLIONS)					
	1994	1993	1992	1991	1990
Loans					
Residential mortgage loans	\$32,546	\$25,351	\$24,464	\$22,187	\$19,759
• Government guaranteed (NHA)	5,675	3,168	2,685	2,341	2,554
• Other	26,871	22,183	21,779	19,846	17,205
Consumer loans	8,718	7,018	6,863	6,326	5,742
Commercial and industrial loans	12,914	9,600	9,710	9,206	8,610
• Non-residential mortgage loans	6,764	4,272	4,473	3,919	3,493
• Other loans to businesses	6,150	5,328	5,237	5,287	5,117
Farm loans	1,827	1,761	1,714	1,666	1,550
• Government guaranteed	1,358	1,309	1,423	1,391	1,294
• Other	469	452	291	275	256
Other loans	1,979	1,556	1,800	1,612	1,432
Total loans	\$57,984	\$45,286	\$44,551	\$40,997	\$37,093
Minus: provision for doubtful loans	(688)	(490)	(415)	(306)	(193)
Total loans	\$57,296	\$44,796	\$44,136	\$40,691	\$36,900
Total doubtful loans	\$ 365	\$ 249	\$ 265	\$ 223	\$ 98
• As a percentage of average loan balance	0.65%	0.56%	0.62%	0.57%	0.28%
Net non-performing loans as at December 31					
• Total net non-performing loans	\$ 1,138	\$ 815	\$ 853	\$ 737	\$ 477
• As a percentage of total loans	1.99%	1.82%	1.93%	1.81%	1.29%

DOUBTFUL LOANS

Doubtful loans were \$365.0 million compared to \$249.1 million in 1993, a difference of \$115.9 million, with \$58.0 million originating from the Laurentian Bank. On an average loan basis for the year, the doubtful account ratio was \$0.65 per \$100 average loans versus \$0.56 in 1993.

Total doubtful loans for the holding companies, excluding the Laurentian Bank, amounted to \$132.4 million. A significant portion of these expenses are still associated with the persistent weakness of the commercial real estate market owing in part to a general decline in commercial rents and the lower value of real estate properties following the latest recession. In fact, due to its level of non-performing loans, Desjardins Trustco revised its loan portfolio during the year, recording losses of \$72.1 million in 1994. With respect to Desjardins Commercial Assets Management Corporation, its losses on loans amounted to \$21.1 million.

The cooperative network, on the other hand, experienced a decrease in its doubtful loans of \$6.3 million, dropping from \$180.9 million in 1993 to \$174.6 million in 1994. This improvement is attributable to respective decreases of \$10.4 million and \$2.2 million in the commercial and consumer loan sectors. Residential mortgage loan losses incurred by the network were slightly higher (+\$2.3 million) compared to last year, totalling \$25.0 million. This expense represents 14.3% of total doubtful loans and \$0.10 per \$100 average mortgage loans. This performance will help to maintain the quality of the network's loan portfolio.

NON-PERFORMING LOANS

Non-performing loans include loans more than 90 days in arrears and repossessed properties, less the provision for doubtful loans posted in the balance sheet. These loans amounted to \$1,138 million as at December 31, 1994, up by \$323 million or 39.6% over the same period last year. In the holding company sector, outstanding non-accruing loans, net of provisions, increased by \$284.3 million over last year to \$595.4 million as at December 31, 1994. An amount of \$152.2 million originates from the Laurentian Bank whose non-accruing loans, net of provisions, dropped by \$65.4 million compared to October 1993. The Société financière des caisses Desjardins (excluding the Laurentian Bank), which has subsidiaries active in the commercial real estate sector, experienced an increase of \$120.3 million in net non-performing loans. In 1994, non-performing loan figures for Desjardins Trustco were up by \$80 million but, as a result of a loan loss provision made in the year, it benefited from a very high coverage ratio (89%).

The cooperative sector's non-performing loans, net of provisions, totalled \$542.4 million, up by \$38.4 million over last year. An amount of \$59.5 million from the caisses is attributable to increases in retrocessions due to a situation that has failed to improve in the multifamily housing and commercial real estate sector. Non-performing loans, net of provisions, for Caisse centrale decreased by \$21.2 million to \$6.3 million.

The coverage ratio reflects the provision for doubtful loans in relation to the gross amount of non-performing loans.

For the Mouvement overall, non-performing loans, net of provisions, represented 1.99% of outstanding loans as at December 31, 1994, or 31.1% of the Mouvement's equity.

COVERAGE RATIO

	1994	1993
Holding companies	38.8%	39.0%
Cooperative network	36.5	41.5
Mouvement	37.5	37.6

OFF-BALANCE SHEET COMMITMENTS

The Mouvement des caisses Desjardins uses off-balance sheet commitments to meet the needs of its clients as well as its own needs. These commitments can be broken down into two categories: credit commitments and derivatives.

Credit commitments satisfy a need for cash and entail an eventual credit risk. Derivatives offer protection against fluctuations in exchange and interest rates; they entail a market risk and a credit risk. Note 11 to the financial statements contains a breakdown of off-balance sheet commitments, which are also defined in the Glossary of Financial Terms.

As at December 31, 1994, off-balance sheet commitments had a par value of \$22.3 billion, an increase of \$4.5 billion or 25.1% over the previous year. This increase is primarily attributable to off-balance sheet commitments of the Laurentian Bank totalling \$3.4 billion.

This increase notwithstanding, changes in exchange and interest rates compelled the Mouvement to increase its use of derivatives in order to meet the needs of its members and clients, and also to manage its own asset and liability risks.

Interest rate swaps registered the highest increase, totalling \$1.9 billion. Of this amount, \$1.5 billion was attributable to the Laurentian Bank. Foreign exchange and term contracts rose by \$921 million while swaps increased by \$1.3 billion, \$1.1 billion being attributable to the Laurentian Bank.

The credit risk of the off-balance sheet commitments, based on the international standards of the Bank for International Settlements, was assessed at \$1.1 billion, or 1.5% of the Mouvement's equity.

CAPITAL MANAGEMENT

The Mouvement's capital is used to ensure safe business development and to protect depositing members against all risk of loss inherent in all financial institutions. As at December 31, 1994, total capital amounted to \$4.5 billion, \$984 million or 28.3% higher than in 1993.

Of this capital, close to 70.0% is made up of self-generated funds with no obligation for remuneration, with an additional 9.3% consisting of permanent shares derived from the network of caisses whose remuneration is based on undistributed surplus earnings. Non-controlling interests in subsidiaries originating from the Société financière des caisses Desjardins amounted to 18.3% of the capital.

Subsequent to the acquisition of The Laurentian Group Corporation, non-controlling interests increased by \$702 million to \$816 million at the end of the period. The Mouvement also maintained a high level of self-capitalization as indicated by the reserves, which grew from \$2.6 billion in 1993 to \$2.8 billion at the end of this period, representing an increase of \$207 million or 8.0%. This increased capital is also due to

the sale of permanent shares which, as at December 31, 1994, totalled \$414 million. Lastly, the Corporation de fonds de sécurité de la Confédération holds \$307 million in additional capital accumulated by the caisses over the years.

At the request of the Confédération, the *Savings and Credit Unions Act* was amended in June 1994 to enable the caisses to proceed with the implementation of the Desjardins capital security. This involves a subordinated debt security issued and guaranteed directly by each of the caisses on the basis of their respective assets. These securities are under the jurisdiction of Capital Desjardins inc., a specialized subsidiary acting as an intermediary between the caisses and the institutional investor market, such as pension funds and life insurance companies.

Work on the infrastructures for this security continued throughout 1994. Subject to favourable market conditions, an initial issue is planned for 1995. With this issue, the caisses will have an additional and complementary capitalization tool to support their future development.

CAPITAL COMPONENTS

AS AT DECEMBER 31 (\$ MILLIONS)

	1994	1993	1992	1991	1990
Reserves and surplus earnings	\$3,100	\$2,866	\$2,620	\$2,415	\$2,270
Members' shares	540	492	478	413	338
Non-controlling interest in subsidiaries	816	114	123	130	144
Total capital	\$4,456	\$3,472	\$3,221	\$2,958	\$2,752
Capital ratio (as a % of assets)	6.0%	6.2%	6.0%	6.0%	6.1%

CALCULATION OF RISK-WEIGHTED ASSETS AND OFF-BALANCE SHEET ITEMS

In 1994, although not subject to international capitalization standards, Desjardins took on new capitalization objectives based on these standards in addition to its required capitalization basis. By voluntarily adhering to these new standards, which are based on sound management principles, Desjardins is confident that it will achieve still greater coverage against various risks.

The calculation of the capital ratio with reference to weighted assets is based on data from the cooperative network, owner of the Mouvement. As at December 31, 1994, this ratio was 9.82%.

CAPITAL ITEMS

YEAR ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993
Shares	\$ 446	\$ 380
Reserves	2,805	2,599
Surplus earnings	288	247
Non-controlling interest	26	26
Subordinated debentures	67	56
Investments ¹	(578)	(425)
Capital and adjustments	3,054	2,883
Assets and off-balance sheet commitments weighted for risks net of investments	\$31,090	\$31,666
Risk weighted ratio	9.82%	9.10%
Tier I ratio	9.79%	8.93%

¹ This amount represents the consolidation value of the investment in the Société financière des caisses Desjardins inc. and the investment value surplus in Investissement Desjardins in relation to its cost. An equivalent amount has also been subtracted for the Société de services des caisses Desjardins inc. Société immobilière Desjardins inc. has been consolidated into the financial statements of Fédération des caisses populaires Desjardins de Montréal et de l'Ouest-du-Québec.

RISK WEIGHTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS

YEAR ENDED DECEMBER 31 (\$ MILLIONS)

	Balance	Credit equivalent	Weighted rate	1994 Risk-weighted amount	1993 Risk-weighted amount
Balance sheet items ¹					
Cash	\$ 778	\$ -	0-20%	\$ 39	\$ 87
Securities	5,912	-	0-100%	1,008	1,116
Guaranteed loans	7,161	-	0-20%	130	131
Other loans	36,122	-	0-100%	28,332	28,464
Other assets	1,639	-	100%	1,639	1,630
	\$51,612	\$ -		\$31,148	\$31,428
Off-balance sheet commitments ¹					
Letters of guarantee and documentary credit	393	387	0-100%	170	296
Commitments to purchase assets	26	26	0-100%	10	6
Commitments to extend credit	7,832	389	0-100%	274	310
Foreign exchange contracts	5,968	212	0-50%	45	38
Interest rate contracts	5,439	70	0-50%	21	13
	\$19,658	\$1,084		\$ 520	\$ 663
Total risk weighted amount				\$31,668	\$32,091

¹ Balance sheet items and off-balance sheet commitments pertain to the cooperative network.



COMBINED FINANCIAL STATEMENTS FOR THE MOUVEMENT DES CAISSES DESJARDINS

MANAGEMENT REPORT

The combined financial statements for the Mouvement des caisses Desjardins and all the information contained in this Annual Report are the responsibility of the management of the Confédération des caisses populaires et d'économie Desjardins du Québec whose duty it is to ensure their integrity and correctness.

The financial statements, prepared according to generally accepted accounting principles including the special conditions mentioned in Note 1, were prepared using the financial statements as at December 31, 1994. The financial statements of the federations, Caisse centrale, the Corporation de fonds de sécurité, the Confédération, the holding companies and their subsidiaries were audited as at December 31, 1994. Those of the Laurentian Bank were audited as at October 31, 1994. The caisses are audited at the end of their respective fiscal years, occurring throughout the year. When estimates are necessary, these are made by management to the best of their knowledge based on known and foreseeable circumstances. All financial information presented in the Annual Report is in accordance with the audited financial statements as at December 31, 1994, and other related financial statements.

As it is responsible for the reliability of the Mouvement's financial statements, related information, and the accounting systems which produce these statements, the Confédération's management exercises appropriate internal controls over operations and accounting. The organizational structure provides for efficient distribution of powers, hiring standards and personnel training, along with regular updates and application of control methods, thereby ensuring adequate supervision of operations. The effectiveness of the controls and systems is regularly evaluated by the Inspection department or internal audit teams.

The Inspector General of Financial Institutions provides ongoing surveillance and control over the Mouvement components under its authority.

The Confédération's Board of Directors ensures that management fulfils its responsibilities with regard to the presentation of financial information, and is responsible for the approval of the combined financial statements for the Mouvement des caisses Desjardins. The Board exercises this role through the Commission Inspection et Vérification (inspection and audit commission) consisting exclusively of independent Board members who are not managers or employees of any component of the Mouvement.

Claude Béland
President,
Mouvement des caisses Desjardins

John Harbour
General Manager
Confédération des caisses populaires
et d'économie Desjardins du Québec

Lévis, March 17, 1995



COMBINED BALANCE SHEET (UNAUDITED)

MOUVEMENT DES CAISSES DESJARDINS

AS AT DECEMBER 31 (\$ MILLIONS)

	1994	1993
ASSETS		
Cash	\$ 1,010	\$ 840
Securities (Note 4)		
• Issued or guaranteed by the Government of Canada	4,309	2,283
• Issued or guaranteed by provinces and municipal or school corporations	5,037	3,883
• Other	2,945	1,780
	12,291	7,946
Loans		
• Residential mortgages	32,235	25,393
• Consumer loans	8,565	6,952
• Loans to businesses and institutions	16,496	12,451
	57,296	44,796
Other assets		
• Fixed assets (Note 5)	1,397	1,254
• Other (Note 6)	1,884	798
	3,281	2,052
	\$73,878	\$55,634
LIABILITIES		
Deposits		
• Savings with chequing and tiered savings	\$10,978	\$ 9,205
• Regular savings	4,593	4,324
• Term savings	41,816	33,346
	57,387	46,875
Other liabilities		
• Actuarial and related liabilities (Note 7)	8,357	2,659
• Notes and loans (Note 8)	1,374	953
• Other (Note 9)	2,304	1,675
• Non-controlling interest in subsidiaries	816	114
	12,851	5,401
EQUITY		
• Capital stock (Note 10)	540	492
• Undistributed surplus earnings	290	263
• Reserves	2,810	2,603
	3,640	3,358
	\$73,878	\$55,634

CAISSES AND FEDERATIONS IN ACADIA, MANITOBA AND ONTARIO

AFFILIATED WITH THE CONFÉDÉRATION AS AUXILIARY MEMBERS

Assets	\$ 3,122	\$2,968
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MOUVEMENT DES CAISSES DESJARDINS

INCLUDING AUXILIARY MEMBERS

Assets	\$76,915	\$58,537
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COMBINED STATEMENT OF INCOME (UNAUDITED)

MOUVEMENT DES CAISSES DESJARDINS

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993
Interest income		
• Cash and securities	\$ 946.5	\$ 546.6
• Loans	4,590.7	3,786.3
	5,537.2	4,332.9
Interest expense	2,726.1	2,392.0
Net interest income	2,811.1	1,940.9
Doubtful loans	365.0	249.1
Net interest income after doubtful loans	2,446.1	1,691.8
Other income		
• Insurance premiums and annuity contributions	2,045.3	998.7
• Other	765.3	535.6
	2,810.6	1,534.3
Net interest income and other income	5,256.7	3,226.1
Non-interest expense		
• Salaries and fringe benefits	1,479.3	1,216.0
• Premises, equipment and furniture including depreciation	412.1	309.2
• Claims, benefits, annuities and variation in insurance provisions	2,070.3	874.7
• Other expenses	786.3	482.6
	4,748.0	2,882.5
Surplus earnings before income taxes	508.7	343.6
Income taxes	128.6	75.4
Surplus earnings before non-controlling interest	380.1	268.2
Non-controlling interest in net income of subsidiaries	65.7	(1.3)
Surplus earnings for the year	\$ 314.4	\$ 269.5

CAISSES AND FEDERATIONS IN ACADIA, MANITOBA AND ONTARIO

AFFILIATED WITH THE CONFÉDÉRATION AS AUXILIARY MEMBERS

Surplus earnings for year	\$ 23.6	\$ 19.2
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MOUVEMENT DES CAISSES DESJARDINS

INCLUDING AUXILIARY MEMBERS

Surplus earnings for year	\$ 338.0	\$ 288.7
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NOTES TO COMBINED FINANCIAL STATEMENTS (UNAUDITED)

(Figures in the tables in \$ millions)

The Mouvement des caisses Desjardins is made up of the caisses, the federations, Caisse centrale Desjardins, the Corporation de fonds de sécurité de la Confédération Desjardins, the Confédération and its subsidiaries, namely La Société financière des caisses Desjardins inc., La Société de services des caisses Desjardins inc. and Investissement Desjardins inc.

1. NON-COTERMINOUS YEAR-ENDS AND CONSOLIDATION

The difference between the undistributed surplus earnings shown on the combined balance sheet and those shown on the combined financial statement of income is due to the prior distribution of a portion of the surplus earnings as a result of non-coterminous year-ends of the caisses. Consequently, the actual distribution of surplus earnings cannot be presented.

The results for the subsidiary Culinar inc. are stated at equity, even though the generally accepted accounting principles require that they be consolidated. Mouvement management is of the opinion that by stating the results at equity, they are more accurately reflecting the results of the Mouvement des caisses Desjardins as a financial institution.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Combined financial statements

The combined financial statements present the data for the components of the Mouvement des caisses Desjardins, net of related-party transactions, in accordance with generally accepted accounting principles with respect to consolidation. The financial statements are referred to as "combined" rather than "consolidated" to reflect the fact that the Desjardins caisses are self-sufficient entities which are not controlled by a parent company.

Securities

Securities held for investment purposes include securities with fixed maturities, and equity securities. Securities with fixed maturities are carried at unamortized cost. Equity securities in companies subject to significant influence are carried at equity while other equity securities are carried at acquisition cost. This is not the case, however, for equity securities held by the life insurance subsidiary, which are accounted for using the moving average market value method.

Securities held for trading purposes are carried at market value.

The gains and losses arising from the sale of these securities, in addition to the devaluations required to reflect market value fluctuations or declines in permanent value, are applied directly to the results of the period during which they occur, except in the case of the life insurance subsidiaries, where they are deferred and applied to the results using the straight-line method until maturity.

Loans

Loans are carried net of loan loss provisions. The provision for loan losses is determined in a specific manner on certain loans or in a general manner on certain segments of the loan portfolio. Based on the analysis of specific cases, a provision is set aside for that portion of the principal deemed irrecoverable on loans with risk attributes. The general provision for various portions of the loan portfolio is determined in order to reflect any deteriorations that cannot be attributed to specific loans.

Fixed assets

Fixed assets are carried at cost and depreciation is calculated based on their useful life, primarily according to the straight-line method.

Actuarial and related liabilities for the insurance subsidiaries

In life insurance, the actuarial and related liabilities include the policy reserves for life and annuity contracts. The policy reserves are determined by the valuation actuaries using the policy premium method, and correspond to the amount which is sufficient to meet all future obligations under life and annuity contracts.

With respect to damage insurance, the amounts of claims in the process of settlement, calculated on a non-discounted basis, are also determined by the valuation actuaries and cover all incurred claims, including unreported claims, while unearned premiums are calculated according to the monthly maturity method on a non-discounted basis.

Foreign exchange and interest rate contracts

The Mouvement des caisses Desjardins uses foreign exchange and interest rate contracts to manage the risks inherent in interest rate and currency exchange fluctuations. Income or expenses on hedging contracts are posted according to the term of the agreements. Contracts entered into for trading purposes, on the other hand, are carried at market value, and gains or losses resulting from market value fluctuations are applied to the period results.

Income taxes

The components' income taxes are provided for using the tax deferral method. Some of the life insurance subsidiaries, however, use the taxes payable method, as it is well known in the industry.



3. 1994 ACQUISITIONS

Acquisition of The Laurentian Group Corporation

On January 1, 1994, through an exchange bid submitted on November 5, 1993, Desjardins-Laurentian Financial Corporation Inc. acquired all of the 20,750,435 Class A shares and the 34,233,653 Class B subordinate shares of The Laurentian Group Corporation (LGC), the holding company that owns shares in Laurentian Financial (now part of the Desjardins-Laurentian Life Group) and in the Laurentian Bank of Canada. In exchange, Desjardins-Laurentian Financial Corporation Inc. paid the sum of \$678,794,000 consisting of \$72,071,000 in cash, the issue of \$160,095,000 in unsecured promissory notes, 6,898,389 Class A preferred shares, 1,723,170 Class A subordinate shares, 11,711,874 Class B shares (multiple voting rights) and the posting of \$9,826,000 in acquisition fees. The Laurentian Life and Health Insurance Corporation received \$160,082,000 in unsecured promissory notes, 2,563,377 Class A preferred shares and 4,617,168 Class B shares. The net asset acquisitions from LGC are detailed below.

Acquisition of The Laurentian Life and Health Insurance Corporation

On January 1, 1994, Desjardins-Laurentian Financial Corporation Inc. acquired all of the 15,800,000 outstanding common shares of The Laurentian Life and Health Insurance Corporation (LLHC) in exchange for \$1. The net asset acquisitions are as follows:

	LGC	LLHC
Distribution of purchase price		
Marketable securities	\$ 2,962	\$589 ¹
Mortgage and other loans	9,730	337
Real estate investment and term deposits	425	17
Cash and money market securities	1,370	18
Other assets	643 ²	35
Identifiable asset acquisitions	\$15,130	\$996
Less:		
Deposits and notes	8,779	-
Actuarial and related liabilities	4,232	970
Long-term debt	389	3
Other liabilities	710	22
Non-controlling interest	473	1
	\$14,583	\$996
Identifiable net assets	547	-
Paid consideration	679	-
Goodwill	\$ 132	\$ -

¹ Including unsecured promissory notes, common and preferred shares of Desjardins-Laurentian Financial Corporation for a total amount of \$298 million.

² Including \$81,000 in goodwill.

Acquisition of some of the operations of Prenor Trust Company of Canada

On December 24, 1993, the Laurentian Bank of Canada made an agreement with the Canadian Deposit Insurance Corporation (CDIC) whereby the Bank received, on January 24, 1994, an initial amount of \$803,000,000 from CDIC regarding the insured deposits of Prenor Trust Company of Canada, in liquidation, and then paid out a \$2,000,000 premium for these deposits. Under a separate agreement with the liquidator of Prenor Trust, the Bank further acquired, on January 1, 1994, a portfolio of mortgages totalling \$559,000,000, including a \$9,000,000 premium.

Acquisition of some of the operations of The Manulife Bank of Canada

On October 31, 1994, the Laurentian Bank made an agreement with The Manulife Bank of Canada under which it acquired \$523,000,000 in loans, \$6,000,000 in fixed assets and \$512,000,000 in deposits, including a \$14,800,000 premium and \$10,000,000 in goodwill. Under this agreement, the Laurentian Bank may, up until May 1995, return to the seller any loans found to be non-performing, any non-residential mortgage deeds and up to 50% of the value of non-mortgage loans.

4. SECURITIES

	Maturity					Total	
	Under 1 year	1 to 3 years	3 to 5 years	Over 5 years	No maturity	1994	1993
Securities issued and guaranteed by the Government of Canada	\$2,359	\$ 428	\$ 373	\$1,149	\$ -	\$ 4,309	\$2,283
Securities issued and guaranteed by the provinces and municipal or school corporations	2,486	857	583	1,111	-	5,037	3,883
Other securities							
Canadian and foreign issuer debt:							
• Banking institutions	555	17	9	27	26	634	996
• Other issuers	510	260	207	762	18	1,757	433
Stocks	-	-	-	-	554	554	351
	\$5,910	\$1,562	\$1,172	\$3,049	\$598	\$12,291	\$7,946

5. FIXED ASSETS

			1994	1993
	Costs	Combined depreciation	Undepreciated cost	Undepreciated cost
Land	\$ 92	\$ -	\$ 92	\$ 85
Buildings	1,123	236	887	837
Equipment	1,031	712	319	270
Leasehold and other improvements	198	99	99	62
	\$2,444	\$1,047	\$1,397	\$1,254

Depreciation for the year is \$154,594,000 (\$131,484,000 in 1993).

6. OTHER ASSETS

	1994	1993
Accrued interest receivable	\$ 446	\$293
Real estate investments	370	42
Goodwill	260	43
Premiums and fees receivable	185	159
Accounts receivable and other assets	623	261
	\$1,884	\$798

7. ACTUARIAL AND RELATED LIABILITIES FOR THE INSURANCE SUBSIDIARIES

	1994	1993
Policy reserves for life and annuity contracts	\$7,660	\$2,202
Claims in process of settlement but not reported	201	143
Unearned premiums	168	143
Amounts on deposit	295	134
Provision for dividends and volume discounts	33	37
	\$8,357	\$2,659



8. NOTES AND LOANS

	1994	1993
Promissory notes issued in various denominations for terms up to 365 days; the issuing subsidiary was committed to ensuring that cash and unused bank loans are sufficient at all times to cover the total amount of the outstanding notes; as at December 31, 1994, this commitment was met	\$ 348	\$ 365
Collateral notes bearing interest at fixed rates from 4.0% to 13.0%, (4.15% to 13.35% in 1993) maturing at various dates until 1999; assets with a book value of \$1,027 are assigned as security	218	289
Debentures maturing from 1998 to 2003, bearing interest at a weighted average rate of 9.0%	213	90
Term loans with variable rates, maturing at various dates until 2015	275	6
Serial sinking fund bonds with a par value of \$130 at a rate varying from 7.69% to 9.18%, retractable by the company in whole or in part, from time to time, subject to certain conditions and maturing from 1998 to 2013; assets with a book value of \$293 are assigned as security	130	147
Debentures maturing in 2003 and 2004 bearing interest at a weighted average rate of 9%, redeemable as of 1998 subject to certain conditions	60	-
Subordinated debentures in Luxembourg francs, unredeemable, bearing interest at an annual rate of 8.5% and maturing in December 2002	67	56
Loans in \$US with variable rates, maturing in 1999	63	-
	\$1,374	\$ 953

9. OTHER LIABILITIES

	1994	1993
Accrued interest payable	\$1,140	\$1,011
Accounts payable and other liabilities	1,164	664
	\$2,304	\$1,675

10. CAPITAL STOCK

Authorized

Capital stock comprises shares, qualifying shares, preferred shares and permanent shares.

Shares have a par value of \$5.00, confer no voting rights and are redeemable at call. Under the *Savings and Credit Unions Act*, the caisses can no longer issue such shares.

The caisses can issue an unlimited number of qualifying shares with a par value of \$5.00 which are redeemable at call in accordance with certain conditions set out in the Act. A member only has one vote regardless of the number of qualifying shares held.

The issue of preferred shares can be authorized by the caisses through a by-law. These shares confer no voting rights and are redeemable in accordance with certain conditions set out in the Act. Their interest rate is determined by the Board of Directors of the caisse.

The caisses can authorize the issue of permanent shares. These shares confer no voting rights and are redeemable in accordance with certain conditions set out in the Act. Their interest rate is determined by the annual meeting.

Issued and paid

	1994	1993
Issued and paid capital stock is as follows:		
Qualifying shares	\$ 31	\$ 31
Shares	88	110
Preferred shares	7	4
Permanent shares	414	347
	\$540	\$492

11. OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments are the result of transactions made by financial intermediaries for the purpose of satisfying either client needs or their own needs. They are divided into two categories: credit commitments, and foreign exchange and interest rate contracts.

Credit commitments represent future payments to be made to members and carry a credit risk. Foreign exchange and interest rate contracts offer protection against exchange and interest rate fluctuations and carry a market and credit risk.

Off-balance sheet commitments are stated at their par value.

	1994	1993
Credit commitments		
Letters of guarantee and documentary credit	\$ 439	\$ 371
Commitments to purchase assets	26	6
Firm commitments	2,511	2,537
Revocable commitments	5,185	4,836
Other commitments	10	-
Derivatives		
Foreign exchange forward contracts	3,480	2,559
Currency swaps	3,502	2,241
Purchase of currency options	21	-
Interest rate futures contracts	591	737
Interest rate swaps	6,115	4,227
Purchase of interest rate options	445	335
	\$22,325	\$17,849

12. PENSION PLAN

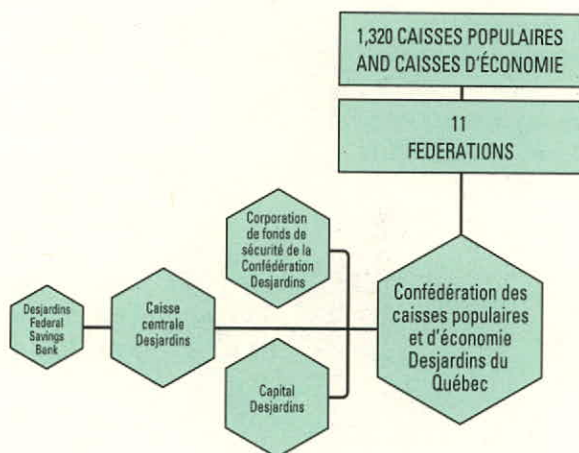
Most employees of the Mouvement des caisses Desjardins participate in a defined benefit pension plan provided through a multiemployer plan. According to the most recent actuarial valuation which was performed on January 1, 1994, the plan was fully funded.

The employer contribution applied to the results and paid to the Mouvement des caisses Desjardins Pension Plan was \$69,742,000 (\$69,740,000 in 1993).

13. CONTINGENCIES

Some entities of the Mouvement Desjardins are involved in various lawsuits that are the result of normal business activities. The overall amount of the eventual liability resulting from these lawsuits is not considered to be sizeable.

DETAILED FINANCIAL ANALYSIS FOR THE COOPERATIVE NETWORK OF DESJARDINS CAISSES IN QUÉBEC



The cooperative network in Québec comprises 1,320 caisses, 11 federations, one confederation, a security fund corporation and Caisse centrale Desjardins. The entire Mouvement des caisses Desjardins is owned by the caisse members who number approximately 5 million.

ASSET AND LIABILITY MANAGEMENT

ASSETS

As at December 31, 1994, the combined assets of the cooperative network of Desjardins caisses amounted to \$51.6 billion, an increase of \$1.5 billion or 3.0% over a year ago. This increase is slightly lower than 1993's 3.4%, but it is nonetheless satisfactory in view of the deflationist climate prevailing in Québec in 1994. With the exception of acquisitions and mergers, the general downward trend in prices did little to improve the results of most financial institutions.

Slower asset growth was especially evident with respect to the network's cash assets, which recorded more moderate growth in 1994. In spite of intense deposit activity, demand for credit grew as the economic climate in Québec improved. In fact, loan growth surpassed savings growth during this period.

CASH ASSETS

The cooperative network's total cash assets and securities as at December 31, 1994, totalled \$6.7 billion, with 77.0% maturing in a year or less. Securities issued or guaranteed by governments and municipal or school board corporations accounted for 80.8% of the securities portfolio, which itself accounts for 13.0% of total assets.

The purpose of a securities portfolio is to ensure there are always sufficient funds available to meet daily cash outflow needs, as well as our own financial obligations.

To this end, the caisses, the federations and Caisse centrale Desjardins are respectively required to maintain an established minimum of liquid assets. This portfolio is made up of securities that meet the highest security and negotiability criteria. In fact, these securities can be cashed in quickly without significant loss in value.

Maintaining a minimum portfolio of liquid assets entails strict monitoring of fund inflow and outflow, and of other funding sources.

LOANS

In tandem with a rebounding Québec economy and relatively low interest rates, at least during the first half of the year, demand for household and commercial credit revived in 1994. Business opportunities multiplied resulting in an increase in the network's loan portfolio of 3.3% or \$1.4 billion to \$43.3 billion as at December 31, 1994, compared to 2.7% in 1993.

By applying a strict risk diversification policy, the caisses were able to effectively manage performing assets and meet the credit needs of their members. The results of the caisses in the credit markets where they conduct most of their activities illustrate this trend.

• **Residential mortgage loans** are, without a doubt, the area of activity where the Desjardins network of caisses has always excelled. In fact, since its creation, the network has played a major role in household finance as reflected in its very respectable market share (43% at the end of 1994) compared to other deposit-taking institutions in Québec. The extent to which the caisses have historically favoured this area of activity is reflected in the fact that 56.2% of its total loan portfolio is invested in residential mortgage loans. It is an indication of the obvious advantages of this type of credit and the caisses' commitment to making property accessible to members.

However, with a significant drop in housing starts and resales in the spring of 1994 subsequent to rising mortgage rates, demand for credit in this sector slowed down. Outstanding residential mortgage loans grew in the network by 1.7% or \$418 million over the year to \$24.5 billion as at December 31, 1994, compared to 4.3% in 1993.

• **Consumer loans** outstanding in the network clearly improved in 1994, recording an annual increase of 6.6% or \$7.4 billion as at December 31 compared to 3.9% in 1993. This performance enabled the caisses to increase their market share slightly among Québec deposit-taking institutions to approximately 33%. In fact, renewed household confidence was reflected in a notable increase in spending. The creation of 76,000 jobs in Québec last year partly counterbalanced rising interest rates and stimulated demand for credit in this sector.

• **Commercial and industrial loans** outstanding amounted to \$8.1 billion as at December 31, 1994, down by 0.1% or \$8 million over the year, compared to 2.2% growth in 1993. This downward trend is due to the network's credit risk diversification policy. However, the slowdown is primarily attributable to a declining outstanding commercial and industrial loan situation in Caisse centrale and the federations. In collaboration with the caisses, Caisse centrale pursued its development efforts in the area of medium-sized businesses and continued to apply rigorous credit policies; it thus reduced its level of participation in syndicated banking oper-

ations. Loans granted by affiliated caisses increased by 5.6% compared to 5.2% last year.

• **Farm loans** outstanding in the network of Desjardins caisses grew by 3.9% or \$68 million, to \$1.8 billion as at December 31, 1994. Of this amount, \$1.3 billion was guaranteed by government. This indicates a slight improvement over the 3.2% recorded in 1993. Just over one out of two loans in this sector is granted by the Desjardins caisses, a testimony to the network's long-standing support of Québec's farming community.

LOANS

AS AT DECEMBER 31 (\$ MILLIONS)

	1994	1993	1992	1991	1990
Residential mortgages	\$24,492	\$24,074	\$23,074	\$20,709	\$18,299
Consumer loans	7,394	6,933	6,671	6,094	5,435
Commercial and industrial loans	8,093	8,101	7,924	7,493	6,986
Farm loans	1,794	1,726	1,672	1,618	1,495
Institutional and other loans	1,821	1,413	1,758	1,575	1,536
Total loans	\$43,594	\$42,247	\$41,099	\$37,489	\$33,751
Less: doubtful loans provision	(311)	(357)	(298)	(222)	(165)
Total	\$43,283	\$41,890	\$40,801	\$37,267	\$33,586

DEPOSITS

As at December 31, 1994, total accumulated deposits in the network of Desjardins caisses amounted to \$46.2 billion, up by 2.4% or \$1.1 billion over last year. These deposits represent the single most important source of funding available to the caisses to finance their business development. At the end of 1994, they financed 90% of the network's total assets. There are two main categories of deposits: the first, called retail, consists of savings from individuals, businesses and public corporations, and the second, called wholesale or purchased funds, consists of securities issues on Canadian and foreign capital markets.

The liquid asset management policy in effect in the network of Desjardins caisses, in particular with regard to the concentration and diversification of deposits, has traditionally favoured financing based on individual savings. Because of their quality, personal savings are generally a more stable and less demanding source of funding. In fact, thanks to a wide range of competitive products, the caisses have access to a large number of depositing members throughout several regions whose savings are, to a large extent, invested in term deposits. Individual deposits accounted for 77.5% of total accumulated savings in the network at the end of 1994.

Business and public corporation deposits, as at December 31, 1994, represented 13.4% of the network's total accumulated savings. With a volume of \$4.2 billion, purchased funds accounted for 9.1% of this total. The network uses this method of financing only to complement retail deposits consisting of savings from individuals, businesses and public corporations.

• **Personal savings** evolved somewhat unusually in 1994. Collection of deposits proved more difficult during the first half of the year due to low interest rates and the popularity of mutual funds at that time. However, with rising interest rates and a shift in investment fund sales, the situation corrected itself. In fact, a number of depositors who were not necessarily investors returned to more traditional investment vehicles.

Thus, the results of the network in this area were, on the whole, quite exceptional in 1994 and compared very favourably with the results of its competitors for the same period. For example, with individual deposits growing by 3.8% or \$1.3 billion last year to \$35.8 billion as at December 31, the caisses gained considerable ground at the expense of other deposit-taking institutions in Québec; in fact the caisses' market share jumped by 0.4% to nearly 40%.

With respect to the collection of special retirement savings, the network's results were very impressive in 1994. Registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs) grew at an annual rate of 9.6% or \$875 million, to \$10 billion as at December 31, 1994.

• **Non-personal savings** which include deposits made by businesses and public corporations as well as purchased funds, dropped by 2.2% or \$231 million in 1994 to \$10.4 billion as at December 31. This is due primarily to purchased funds, which dropped by 4.7% or \$206 million over last year. In addition, the fund mix was changed somewhat in favour of foreign issues, which accounted for 80.5% of total funds at the end of last year versus 61.3% in 1993. Better market conditions outside Canada contributed to this trend.

DEPOSITS

AS AT DECEMBER 31 (\$ MILLIONS)

	1994		1993		1992		1991		1990	
Individuals	\$35,833	77.5%	\$34,521	76.4%	\$32,605	74.7%	\$30,519	76.8%	\$27,953	77.4%
Businesses and public corporations	6,211	13.4	6,236	13.8	5,784	13.2	5,243	13.2	5,018	13.9
Purchased funds	4,199	9.1	4,405	9.8	5,263	12.1	3,951	10.0	3,133	8.7
Total deposits	\$46,243	100.0%	\$45,162	100.0%	\$43,652	100.0%	\$39,713	100.0%	\$36,104	100.0%
Canada	\$42,862	92.7%	\$42,463	94.0%	\$40,718	93.3%	\$37,640	94.8%	\$34,512	95.6%
International	\$ 3,381	7.3%	\$ 2,699	6.0%	\$ 2,934	6.7%	\$ 2,073	5.2%	\$ 1,592	4.4%

**FINANCIAL STATEMENTS FOR THE CAISSES AND FEDERATIONS IN QUÉBEC, THE CONFÉDÉRATION,
CAISSE CENTRALE DESJARDINS AND THE CORPORATION DE FONDS DE SÉCURITÉ DE LA CONFÉDÉRATION DESJARDINS
COMBINED BALANCE SHEET (UNAUDITED)**

AS AT DECEMBER 31 (\$ MILLIONS)

	Caisses	Federations	Confédération	Caisse centrale	Corp. de fds de séc.	Combined 1994	Combined 1993
Assets							
Cash and securities	\$ 7,436	\$ 5,835	\$ 497	\$1,341	\$309	\$ 6,690	\$ 6,603
Loans							
Consumer	28,809	296	664	70	-	29,527	28,570
Business	11,936	3,586	-	3,938	-	13,756	13,320
	40,745	3,882	664	4,008	-	43,283	41,890
Other assets							
Fixed assets	750	320	96	2	-	1,167	1,168
Accrued interest receivable	285	95	3	46	5	286	246
Other	105	24	41	31	24	186	216
	1,140	439	140	79	29	1,639	1,630
Total assets	\$49,321	\$10,156	\$1,301	\$5,428	\$338	\$51,612	\$50,123
Liabilities							
Deposits							
Savings with chequing and tiered savings	\$ 9,415	\$ 3,718	\$ -	\$ 211	\$ -	\$ 9,579	\$ 9,312
Regular savings	3,895	0	-	-	-	3,895	4,324
Term savings	28,357	2,879	-	4,553	-	32,769	31,526
	41,667	6,597	-	4,764	-	46,243	45,162
Other liabilities							
Loans	3,475	2,111	701	-	-	241	173
Accrued interest payable	886	92	-	63	-	901	925
Other	277	99	93	157	31	579	518
	4,638	2,302	794	220	31	1,721	1,616
Equity							
Capital stock	532	65	489	409	-	555	499
Investment deposit	-	934	-	-	-	-	-
Undistributed surplus earnings	220	32	8	6	30	288	247
Reserves	2,264	226	10	29	277	2,805	2,599
	3,016	1,257	507	444	307	3,648	3,345
Total liabilities and equity	\$49,321	\$10,156	\$1,301	\$5,428	\$338	\$51,612	\$50,123
Total liabilities and equity in 1993	\$47,330	\$10,042	\$1,276	\$5,651	\$298		

OPERATING RESULTS

Dedicated to providing service of the highest quality to its members, the cooperative network focused its attention in 1994 on the development of its personnel, products and services, and operational procedures, while simultaneously achieving some excellent financial results and balance.

Some of the key figures for the fiscal period ended December 31, 1994, reflect how effectively the network managed assets, controlled operating costs and maintained the high quality of its loan portfolio.

SURPLUS EARNINGS

For the fiscal period ended December 31, 1994, the cooperative network of caisses recorded combined surplus earnings of \$314.4 million compared to \$269.5 million for the same period in 1993. This represents an increase of \$44.9 million or 16.7%. Excluding the Desjardins holding companies' share, the cooperative network's surplus earnings amounted to \$339.8 million, an increase of \$101.7 million or 42.7%. On a per \$100 average asset basis, the amount of \$314.4 million translates into profitability figures of \$0.62 versus \$0.55 in 1993. With a 60-point increase, the network's average yield on equity stood at 9.0%.

Surplus earnings from the operations of the Desjardins *caisses populaires* and *caisses d'économie - credit unions* - represented 83.0% of overall 1994 results compared to 71.3% last year. This significant improvement in caisse results is confirmed by a number of indicators. In 1994, the caisses were able to increase the margin between interest income and expenses, their main source of income, mainly through increased business volume and the positive impact of interest rate fluctuations. In addition, as the economic climate improved, so did the financial situation of borrowers which, coupled with better loan monitoring and control, resulted in a reduction of the caisses' doubtful debt ratio.

The 1,320 caisses populaires and credit unions are affiliated with eleven *federations* which provide them with common services in a variety of areas such as training, communications, service offers to members, technical support, recruiting, hiring and human resource management. In the federations, continuing administrative restructuring combined with rationalization efforts resulted in a salary and fringe benefit reduction in the amount of \$9.2 million or 7.6% over last year.

The *Confédération* is the cooperative association responsible for the orientation, planning and coordination of the Mouvement's overall activities at the provincial level. At fiscal year-end, its surplus earnings (non-consolidated) stood at \$11.1 million. Increased direct payment service revenues, and reduced depreciation and personnel expenses, all contributed to the *Confédération*'s improved results this year.

These results include Visa Desjardins' profits of \$20.6 million, representing an increase of \$6.2 million or 43.4% over the previous year. This performance is attributable to a beneficial strategy of accounts receivable financing, the increased value of accounts receivable bearing interest, and to the growth in business volume due in part to the success of the FlexiPoints program.

The *Confédération* injected \$31.2 million in the Desjardins Commercial Assets Management Corporation Inc., a company created to manage non-performing assets, thereby covering part of the losses.

COOPERATIVE NETWORK OF DESJARDINS CAISSES - SUMMARY OF COMBINED RESULTS

(PER \$100 AVERAGE ASSETS)

	1994	1993	1992	1991	1990
Net interest income ¹	\$ 3.52	\$ 3.38	\$ 3.64	\$ 3.79	\$ 3.99
Doubtful loans	0.34	0.37	0.41	0.32	0.24
	3.18	3.01	3.23	3.47	3.75
Other income	0.98	1.02	0.93	0.81	0.77
Net interest income and other	4.16	4.03	4.16	4.28	4.52
Non-interest expense	3.35	3.44	3.50	3.55	3.55
Surplus earnings before income taxes	0.81	0.59	0.66	0.73	0.97
Income taxes	0.14	0.10	0.10	0.10	0.15
Income from holding companies	(0.05)	0.06	0.03	(0.09)	0.02
Surplus earnings for the year	\$ 0.62	\$ 0.55	\$ 0.59	\$ 0.54	\$ 0.84
In \$ millions	\$ 314.4	\$ 269.5	\$ 271.0	\$ 226.9	\$ 328.6
Average assets in \$ millions	\$51,051	\$49,473	\$46,273	\$42,215	\$38,939

¹ Excludes the share of Desjardins holding companies

The *Corporation de fonds de sécurité* establishes and manages a security and mutual assistance fund for the caisses affiliated with the Confédération's member federations. In 1994, this Corporation recorded operating results of \$30.1 million, an improvement of \$3.5 million or 13.2% over last year.

The Mouvement's financial agent, *Caisse centrale Desjardins*, registered net surplus earnings of \$17.4 million in 1994, an increase of \$2.4 million or 16% compared to 1993. The improved quality of the loan portfolio is primarily responsible for this performance.

NET INTEREST INCOME

Net interest income is derived from the difference between the interest earned on loans and securities and the interest paid on deposits and other sources of funds. Net interest income also includes the gains and losses attributable to securities. Excluded from this income, is the income derived from investments, carried at equity, in the Desjardins holding companies.

Interest income amounted to \$3.9 billion in 1994, representing an increase of \$15 million or 0.4% over 1993. Interest expenses were \$2.1 billion compared to \$2.2 billion a year ago, a drop of \$110.7 million or 5.1%. Net interest income thus amounted to \$1.8 billion compared to \$1.7 billion in 1993, showing an improvement of \$125.3 million.

The table below provides a detailed analysis of the changes in net interest income.

IMPACT OF CHANGES IN AVERAGE BALANCE SHEET ITEMS ON NET INTEREST INCOME

Of the increase in net interest income for the year, \$63 million is attributable to the growth recorded by each balance sheet item. On the asset side, the growth in volume registered by interest-bearing items in the amount of \$1.6 billion generated \$123 million in additional income while the increased volume of savings generated additional costs of \$60 million.

NET INTEREST INCOME ON AVERAGE ASSETS AND LIABILITIES

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994			1993		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets						
Cash and securities ¹	\$ 6,744	\$ 330	4.89%	\$ 6,527	\$ 330	5.06%
Loans	42,674	3,528	8.27	41,302	3,513	8.51
Total interest-bearing assets	49,418	3,858	7.81	47,829	3,843	8.03
Other assets	1,633	-	-	1,644	-	-
Total assets	\$51,051	\$3,858	7.56%	\$49,473	\$3,843	7.77%
Liabilities						
Deposits						
Individuals	\$35,424	\$1,517	4.28%	\$33,867	\$1,646	4.86%
Business and other	10,454	520	4.97	10,688	502	4.70
Total deposits	45,878	2,037	4.44	44,555	2,148	4.82
Notes and loans	214	24	11.21	195	23	11.79
Total interest-bearing liabilities	46,092	2,061	4.47	44,750	2,171	4.85
Other liabilities	1,459	-	-	1,508	-	-
Equity	3,500	-	-	3,215	-	-
Total liabilities and equity	\$51,051	\$2,061	4.04%	\$49,473	\$2,171	4.39%
Net interest income		1,797			1,672	
\$/ \$100 average assets		3.52			3.38	

SUMMARY OF CHANGES IN NET INTEREST INCOME

• Increase due to:

Changes in interest rates
Changes in balance sheet

1994-1993

1993-1992

62

(111)

63

101

125

(10)

¹ Excludes the share of Desjardins holding companies.

IMPACT OF INTEREST RATE CHANGES ON NET INTEREST INCOME

Interest-rate related factors were responsible for \$62 million of the increase in net interest income. The 70-basis point rise in the average prime rate had a positive impact on the network's net interest margin, mainly by increasing its return on invested equity and other non-interest bearing sources of funds.

Overall, however, return on total interest-bearing assets shrank 22 basis points to 7.81%.

With borrowers opting for shorter-term maturities, unlike in the past, the entire loan portfolio lost 24 basis points, dropping from 8.51% in 1993 to 8.27% in 1994. Interest rates also rose at the end of the first quarter, after a good portion of the loan portfolio had been renewed between June 1993 and March 1994.

Income from cash and securities amounted to \$330 million in 1994, the same as in 1993.

Under liabilities, the cost of interest paid on deposits and other interest-bearing liabilities also decreased, dropping from 4.85% in 1993 to 4.47% in 1994, a decrease of 38 basis points. In this respect, a substantial portion of term and tax-deferred savings was reinvested at the end of 1993 and the beginning of the 1994 fiscal period, just before interest rates began to climb.

At December 31, 1994, the matching of the cooperative network's maturities indicated a good balance between adequate profitability and an acceptable risk ratio. Short-term borrowing trends and long-term savings trends in 1994 also helped to maintain a balance between the funds. Through the federations they are affiliated with, the caisses use financial instruments such as interest rate agreements to optimize the interest margin. Caisse centrale does the same for the federations and for other components of the network.

Lastly, on a per average asset basis, net interest income amounted to \$3.52, up by \$0.14 over 1993.

NON-INTEREST INCOME

The table below indicates the various sources of non-interest income.

In 1994, total non-interest income amounted to \$500.0 million compared to \$502.9 million in 1993. This decrease of \$2.9 million or 0.6% is essentially due to a change in the taxation method applied by the City of Montréal to Place Desjardins inc. whose results are consolidated with those of Fédération des caisses populaires Desjardins de Montréal et de l'Ouest-du-Québec. Excluding this item, non-interest income recorded an increase of \$1.1 million or 0.2%.

Non-interest loan income which includes loan management commissions, income from letters of guarantee and other loan income rose by \$1.2 million or 7.0% to \$18.3 million in 1994. This increase is mainly due to commercial account activity motivated by more equitable pricing for all members.

NON-INTEREST INCOME

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993	1992	1994/1993	Change % 1993/1992
Non-interest loan income	\$ 18.3	\$ 17.1	\$ 15.3	7.0%	11.8%
Income on deposits					
• User fees	136.1	126.8	113.8	7.3	11.4
• Other	79.0	82.4	74.6	(4.1)	10.5
• Subtotal	215.1	209.2	188.4	2.8	11.0
Income from other services					
• Visa transactions	62.5	58.4	52.3	7.0	11.7
• Accounts collection	20.1	19.9	17.7	1.0	11.8
• Exchange commissions and international services	15.4	17.7	19.1	(13.0)	(7.3)
• Place Desjardins inc. operating income	56.9	60.9	32.3	(6.6)	88.5
• Miscellaneous services	111.7	119.7	106.8	(6.7)	12.1
• Subtotal	266.6	276.6	228.3	(3.6)	21.2
TOTAL	\$500.0	\$502.9	\$432.0	(0.6)%	16.4%
Other income as a percentage of net interest income and other income	21.8%	23.1%	20.4%		

One of the most substantial sources of non-interest income is income on deposits. Accounting for 43% of non-interest income, income on deposits includes user fees associated with the payment systems, and various administrative fees such as those charged on non-standard items, overdrawn accounts and other fees. Income on deposits totalled \$215.1 million, representing a year over year increase of \$5.9 million or 2.8%. The introduction of pricing for a wider range of products generated additional income over nine months in 1993 compared to twelve months in 1994. Higher earnings were thus recorded primarily because the rates for most of these services were frozen in 1994.

Visa transactions generated \$62.5 million in income, an increase of \$4.1 million or 7.0% over a year ago. Merchant transactions were also up significantly. The success of the Flexipoints program implemented last May was partly responsible for our performance both in terms of business volume and results.

Income from exchange transactions and international services decreased from \$17.7 million in 1993 to \$15.4 million in 1994 owing to the weakness of the Canadian dollar, which in turn led to a reduced demand for U.S. dollars.

The income generated by various other services dropped by \$8.0 million to \$111.7 million. Work reorganization was responsible for a portion of this loss, which was offset, however, by a reduction in expenses. Income derived from integrated products and services in the insurance, investment funds and securities sectors grew by 13.9%. This augurs well given our need to diversify our sources of income. To increase the non-interest income portion of its overall earnings, the network will have to capitalize even more on the competitive advantages of integrated offers of financial services. Through increased synergy between the various components of the Mouvement des caisses Desjardins, our members will have access to a fuller range of services at better prices.

Lastly, expressed in terms of average assets, non-interest income amounted to \$0.98 versus \$1.02 last year. In proportion to net interest income and other income, non-interest income accounted for 21.8% compared to 23.1% last year.

NON-INTEREST EXPENSES

Non-interest expenses amounted to \$1,711.2 million for the year ended December 31, 1994, compared to \$1,704.2 million the previous year; a restrained increase of \$7.0 million or 0.4% compared to \$81.8 million or 5.0% in 1993. On an average asset basis, non-interest expenses dropped by \$0.09, from \$3.44 last year to \$3.35 this year, due to the cooperative network's successful productivity improvement efforts.

Salaries and fringe benefits

Salary and fringe benefit expenses amounted to \$1,010.1 million versus \$1,012.2 in 1993, a year over year decrease of \$2.1 million or 0.2%. The reduction in these expenses, a first for the network, reflects a concerted effort on the part of each component to contain costs and increase productivity.

Salary indexation on January 1, 1994, resulted in an estimated cost increase of more than 2.0%. However, the actual rate of increase was only 0.1%. This positive variance is due to a reduction in the number of hours worked in the network, made possible through greater efficiency and increased use of self-service equipment for convenience transactions by the members of the Desjardins caisses.

Fringe benefit costs decreased by \$2.8 million or 1.5% subsequent to amendments to the coverage of certain items included in the Mouvement's group insurances.

In terms of their relative value, total personnel expenses have decreased by \$0.07 over the year, to \$1.98 per \$100 average assets.

Premises, equipment and furniture including depreciation

Expenses associated with premises, equipment and furniture (including depreciation) were down by \$7.0 million or 2.8% compared to last year. Depreciation expense also decreased from 1993 owing to fewer acquisitions and the accelerated depreciation on computer equipment the previous year. In addition, savings were realized as a result of new telecommunications agreements.

The deployment of self-service equipment continued in 1994 with the installation of 150 automated tellers and self-serve printers, bringing the total in Québec to 1,715.

The network of Desjardins caisses covers the entire Québec territory, and in more than 675 municipalities, the caisse is the only financial institution. At December 31, 1994, this vast network had 1,675 service centres.

Other expenses

Other expenses amounted to \$461.9 million, an increase of 3.6% versus last year.

Deposit-related expenses include the cost of insurance on deposits, clearing and cash, and the cost associated with deferred tax savings plans. These expenses amounted to \$44.8 million in 1994, up by \$1.1 million, due to the growth in the volume of tax-deferred savings plans.

Automated service expenses such as those related to direct payment, and the net expenses of automated tellers, increased by 5.8%, to \$29 million. The transfer of counter transactions to card-initiated transactions continued in 1994. By last December, the proportion of automated transactions versus overall transactions had grown to 48.8% compared to 43.8% in 1993, resulting in lower expenses.

Growth rates for certain types of automated transactions for the last two years are as follows:

	1994	1993
Automated tellers	8.1%	-13.2%
Direct Payment	71.5	80.1
Direct Deposit	7.6	10.4
Pre-authorized withdrawal	14.3	12.8

Lastly, miscellaneous expenses rose by \$16.8 million. More than 40% of this amount is attributable to various tax increases. In addition, recourse to outside consultants to start up various projects related to the reengineering of the work processes, bulk filing as part of the clearing process, strategic planning, Transition 2000, a project to improve communication lines, and other projects also led to additional costs.

NON-INTEREST EXPENSE

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993	1992	1994/1993	Change % 1993/1992
Personnel					
• Salaries	\$ 830.4	\$ 829.7	\$ 815.9	0.1%	1.7%
• Fringe benefits	179.7	182.5	195.1	(1.5)	(6.5)
Subtotal	1,010.1	1,012.2	1,011.0	(0.2)	0.1
Premises, equipment and furniture (including depreciation)	239.2	246.2	222.9	(2.8)	10.5
Other expenses					
• Expenses on deposits	44.8	43.7	40.5	2.5	7.9
• Expenses on automated services	29.0	27.4	27.2	5.8	0.7
• Mail and office	57.6	56.8	66.2	1.4	(14.2)
• Publicity and advertising	47.2	46.4	42.9	1.7	8.2
• Operating expenses for Place Desjardins inc.	50.1	55.1	34.8	(9.1)	58.3
• Miscellaneous	233.2	216.4	176.9	7.8	22.3
Subtotal	461.9	445.8	388.5	3.6	14.7
TOTAL	\$1,711.2	\$1,704.2	\$1,622.4	0.4%	5.0%

**FINANCIAL STATEMENTS FOR THE CAISSES AND FEDERATIONS IN QUÉBEC, THE CONFÉDÉRATION,
CAISSE CENTRALE DESJARDINS AND THE CORPORATION DE FONDS DE SÉCURITÉ DE LA CONFÉDÉRATION DESJARDINS
COMBINED STATEMENT OF INCOME (UNAUDITED)**

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	Caisses	Federations	Confédération	Caisse centrale	Corp. de fds de séc.	Combined 1994	Combined 1993
Interest income							
Cash and securities	\$ 343.1	\$279.8	\$ 1.4	\$ 77.8	\$24.5	\$ 329.7	\$ 329.9
Loans	3,338.8	272.5	64.8	296.0	—	3,528.2	3,513.4
	3,681.9	552.3	66.2	373.8	24.5	3,857.9	3,843.3
Interest expense	1,982.9	505.7	44.9	322.9	—	2,060.8	2,171.5
Net interest income	1,699.0	46.6	21.3	50.9	24.5	1,797.1	1,671.8
Provision for loan losses	143.5	0.1	11.0	20.1	—	174.6	180.9
Net interest income after doubtful loans	1,555.5	46.5	10.3	30.8	24.5	1,622.5	1,490.9
Other income	316.4	254.8	326.8	13.0	33.2	500.0	502.9
Net interest income and other income	1,871.9	301.3	337.1	43.8	57.7	2,122.5	1,993.8
Non-interest expense							
Salaries and fringe benefits	792.8	111.8	100.0	10.7	0.2	1,010.1	1,012.2
Premises, equipment and furniture (including depreciation)	192.6	18.4	82.8	5.0	—	239.2	246.2
Other expense	567.8	118.4	122.6	5.1	26.2	461.9	445.8
	1,553.2	248.6	305.4	20.8	26.4	1,711.2	1,704.2
Surplus earnings before income taxes	318.7	52.7	31.7	23.0	31.3	411.3	289.6
Income taxes	57.9	6.8	—	5.6	1.2	71.5	51.5
Surplus earnings before holding companies' net income	260.8	45.9	31.7	17.4	30.1	339.8	238.1
Holding companies' net income	7.3	7.3	(25.4)	—	—	(25.4)	31.4
Surplus earnings for year	\$ 268.1	\$ 53.2	\$ 6.3	\$ 17.4	\$30.1	\$ 314.4	\$ 269.5
Surplus earnings in 1993 before holding companies' net income	\$ 192.1	\$ 24.5	\$ 11.1	\$ 15.0	\$26.6		
Holding companies' net income	43.9	43.9	31.4	—	—		
Surplus earnings in 1993	\$ 236.0	\$ 68.4	\$ 42.5	\$ 15.0	\$26.6		

CAISSE CENTRALE DESJARDINS

Caisse centrale offers a full range of superior banking and financial services to the Mouvement Desjardins, as well as to governments and large and medium-sized businesses.

Acting as financial agent for the federations, caisses and other Mouvement components, Caisse centrale provides inter-banking exchange services, including direct clearing settlement. Its operations complement those of the network and generate considerable financial benefits.

OPERATING RESULTS

Caisse centrale recorded consolidated net income for 1994 in the amount of \$17.4 million, up \$2.4 million or 16% from last year. This improvement can be attributed to the strict management of non-performing loans and risk assets, resulting in a decrease in the loan loss provision and the cost of non-performing assets. In relation to 1993, however, the results were adversely impacted by the replacement of certain financial instruments caused by the bankruptcy of Confederation Treasury Services Ltd. (CTSL), the decline in the private sector loan portfolio due to Caisse centrale's credit policies, and by the devaluation of securities.

Lastly, it is noteworthy that in the context of the hiring freeze in effect for four years now, non-interest expenses were kept to an annual increase of under 2.3%.

TOTAL ASSETS

As at December 31, 1994, total assets stood at \$5.4 billion, down \$223 million or 4% compared to last year, mainly due to a lower demand for loans from the federations and from the private sector.

SECURITIES

Securities in 1994 totalled \$1.3 billion and represented 24% of the total assets compared to 20% in 1993. In anticipation of an eventual tightening up of the market, liquid assets were maintained above regulatory standards for an average of approximately \$541 million in 1994. Close to 91% of the securities held were issued by governments (federal and provincial), public and parapublic corporations or Canadian banks.

LOAN PORTFOLIO

The loan portfolio was \$4.0 billion as at December 31, 1994, down \$448 million or 10% from last year. This decrease is primarily the result of a decline in loans to the federations due to higher network liquidity, and a drop

in private sector loans in accordance with Caisse centrale's commitment to reduce its participation in syndicated banking operations with large companies.

Non-performing loans, net of provisions and with a coverage ratio of 88%, dropped by 77% or \$21.2 million in 1994 to \$6.3 million or 1.4% of the members' equity. This ratio compares favourably with that of the major Canadian banks (26%).

In 1994, Caisse centrale intensified the development of the medium-sized business market in synergy with the network. Approximately \$76 million in commitments were authorized, with \$53 million being granted by the network itself. This does not include the benefits derived by all the components with respect to the other Desjardins products such as group insurance, payroll services and group RRSPs.

DIVERSIFIED SOURCES OF FUNDS

At the end of 1994, outstanding deposits and subordinated debentures totalled \$4.8 billion compared to \$5.1 billion last year. The ceiling for the Euro Medium-term Program was increased from \$750 million US to \$1 billion US in order to take advantage of opportunities that would present themselves on the market. Caisse centrale also increased the ceiling of its short-term note program in

CAISSE CENTRALE DESJARDINS - HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993	1992	1991	1990
Net income	\$ 17.4	\$ 15.0	\$ 4.3	\$ 46.3	\$ 54.1
Loans	4,008.6	4,456.3	5,198.5	4,018.0	3,258.8
Securities	1,300.6	1,108.0	1,088.6	893.5	688.4
Deposits and subordinated debentures	4,830.4	5,093.2	5,866.8	4,549.7	3,534.4
Members' equity	444.1	444.4	438.3	454.1	447.1
Contribution to the network	21.8	11.0	24.2	46.8	59.9
Capital ratio - BIS	19.39%	17.22%	16.03%	15.46%	14.38%

Europe and the United States from \$400 million to \$600 million each. Due to better prevailing market conditions, these programs were favoured at the expense of Canadian issues.

At the end of 1994, the total funds raised on international markets accounted for 70% of the funding sources (53% in 1993) for a total of \$3.4 billion (\$2.7 billion in 1993).

SYNERGY BENEFITING THE NETWORK

Throughout 1994, Caisse centrale prioritized activities for the benefit of the network.

Firstly, as financial agent for Desjardins, after five years of negotiations it was able to secure the membership of the Mouvement in the Canadian Depository for Securities (CDS). This enabled the network to participate in electronic clearing and direct settlement of Canadian securities transactions under the same conditions as the major banks.

With respect to distribution of responsibilities, four federations entrusted Caisse centrale with the management of their liquid asset portfolio, and ten federations entrusted them with their respective cash funds, thus enabling them to realize significant savings. Furthermore, subsequent to an agreement with Desjardins Securities and Desjardins Trustco, Caisse centrale took charge of the institutional brokerage service and loan management for Desjardins Commercial and Industrial Credit respectively. These activities will enable Caisse centrale to provide better wholesaler transaction support to the Desjardins components and to put together

an integrated offer of service tailored to the needs of small and medium-sized businesses.

To the benefit of the federations and their affiliated caisses, Caisse centrale implemented a new loan participation program in the public and parapublic sectors which allows them to counter competition in terms of patronage refunds paid to borrowers. It also instituted a single rate policy for loans to the federations and for their surplus liquid asset deposits, thus improving internal circulation of funds within Desjardins.

Subsequent to collaboration agreements with European financial institutions, Caisse centrale implemented a new computerized international payment transfer system in six federations, making direct fund transfers easier, more efficient and less costly than under the current system.

Moreover, in the fall of 1994, Caisse centrale conducted a survey on all its operations in order to better tailor its business plans to the needs and expectations of the federations.

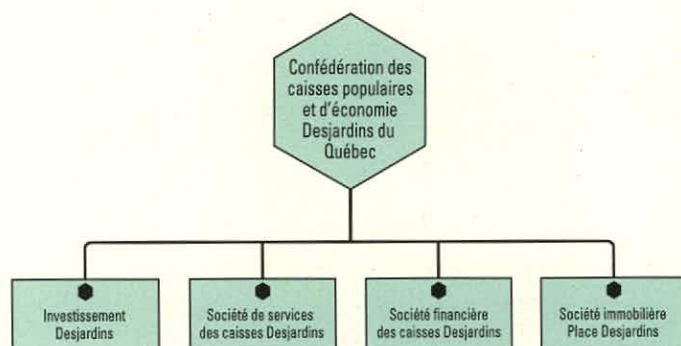
Desjardins Federal Savings Bank, the Mouvement's first banking facility outside Canada, maintained its popularity with Canadians visiting or residing in Florida. This subsidiary, wholly owned by Caisse centrale, took less than three years to experience its first profitable months in the fall of 1994.

Caisse centrale disbursed \$16.0 million to the network in 1994 as remuneration on capital stock. It also paid out \$5.8 million in other payments to members for a total of \$21.8 million compared to \$11.0 million in 1993.

CAPITALIZATION

Despite the increased stringency of rating agency requirements, our credit ratings are of high quality, mainly as a result of the member federations' formal commitment to maintaining a minimum capitalization ratio for Caisse centrale. As at December 31, 1994, this ratio was 9.48% based on the financial commitments set out in the governing legislation (minimum 5.5%) and 19.39% if based on the risk-adjusted assets and off-balance sheet commitments (minimum 8.5%), thus considerably greater than the prescribed minimums.

MAIN FINANCIAL RESULTS FOR DESJARDINS HOLDING COMPANIES



LA SOCIÉTÉ FINANCIÈRE DES CAISSES DESJARDINS INC. (SFCD) includes the Mouvement's life insurance, damage insurance, securities brokerage and trust services subsidiaries, and the Laurentian Bank.

INVESTISSEMENT DESJARDINS (ID) is primarily active in developing business investment.

LA SOCIÉTÉ DE SERVICES DES CAISSES DESJARDINS INC. (SSCD) includes the Mouvement's service-industry subsidiaries: credit card processing, securities transportation, payroll services, leasing and electronic payments.

LA SOCIÉTÉ IMMOBILIÈRE PLACE DESJARDINS INC. is the owner of Complexe Desjardins. This company's results are consolidated with those of Fédération de Montréal et de l'Ouest-du-Québec, and are not discussed in this Annual Report.

DESJARDINS COMMERCIAL ASSETS MANAGEMENT CORPORATION INC. (DCAMC) was incorporated to manage loans and other non-performing, high-risk operating assets.

ACTIVITIES AND FINANCIAL RESULTS

The holding companies oversee the Mouvement's subsidiaries in order to coordinate their operations and maximize their financial leverage. Their activities complement the caisse network operations and ensure that Desjardins is involved in all areas of financial activity. The growing complementary relationship between the Mouvement's components is confirmed by the 13% increase in various forms of payments from the companies and subsidiaries to the cooperative network, primarily for the sale of services. In this respect, the Société financière and its subsidiaries paid out \$27.1 million compared to \$23.8 million in 1993, while the Société de services and its components paid out \$4.6 million, including \$600,000 in volume discounts, compared to \$4.3 million the year before.

DESJARDINS HOLDING COMPANIES - HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	SFCD		ID		SSCD		DCAMC		Combined ¹	
	1994	1993 ²	1994	1993	1994	1993	1994	1993	1994	1993 ²
Change in equity for the caisses ³	\$ 18.6	\$ 40.2	\$(12.9)	\$ 1.8	\$ 1.6	\$ 1.9	\$ -	\$ -	\$ 7.3	\$ 43.9
Assets	23,125.5	6,071.1	338.4	364.7	84.2	46.2	259.7	284.5	23,502.7	6,457.7
Loans and investments	20,333.1	5,390.9	98.9	110.7	32.2	8.5	237.9	283.5	20,402.3	5,484.9
Deposits and notes	11,888.4	2,535.0	3.3	11.2	-	-	-	-	11,881.9	2,534.2
Shareholders' equity	361.3	325.5	121.9	134.7	22.3	20.7	(3.6)	(2.2)	491.7	468.5

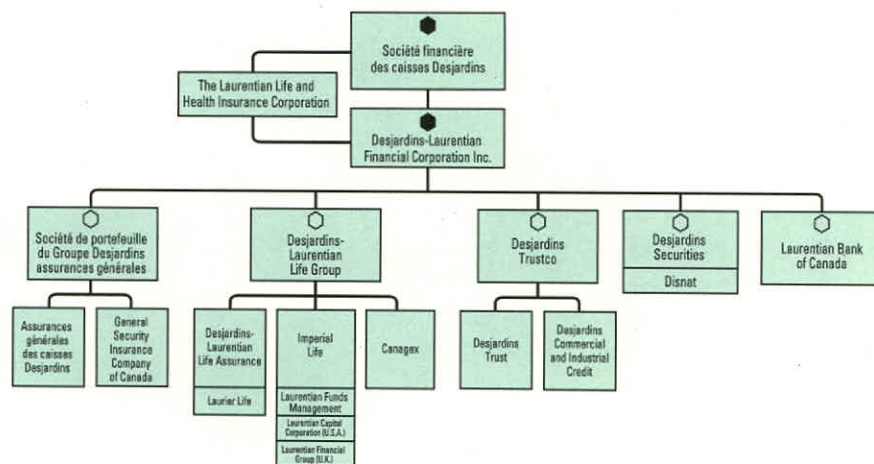
¹ This combined data takes into account the adjusting and eliminating entries required for a consolidation.

² The 1993 data excludes the Laurentian Group companies acquired on January 1, 1994.

³ Change in equity accounted for in the caisses' surplus earnings via the Confédération's participating preferred shares.

Every quarter, the caisses account for their share of the change in equity in the companies they own through the Confédération's participating preferred shares. Companies held include the Société financière and the Société de services, which are 100% controlled, and Investissement Desjardins, which is 80% controlled. For 1994, the share of increased equity in these companies accounted for in the caisses' surplus earnings totalled \$7.3 million compared to \$43.9 million in 1993. Moreover, the change in the value of their investment due to the fluctuation in the exchange rate is posted directly in the caisses' reserve; this amount represents a contribution of \$17.3 million in 1994. The table on page 34 presents each company's contribution, and their results are analyzed in the following pages. As for Desjardins Commercial Assets Management Corporation Inc., it was created in 1993 for the purpose of acquiring a non-performing loan portfolio from Desjardins Trustco; it is owned directly by the Confédération, which is therefore responsible for its results. This company ended the period with a \$32.6 million loss compared to \$12.5 million in 1993, mainly as a result of loan losses.

SOCIÉTÉ FINANCIÈRE DES CAISSES DESJARDINS INC. AND ITS SUBSIDIARIES



The Société financière des caisses Desjardins inc. (SFCD) includes the financial subsidiaries of the Mouvement. Its mission is to promote the development of superior financial services at competitive rates for a complete, integrated offer of services for members and clients of the Mouvement.

The main subsidiary of SFCD is the Desjardins-Laurentian Financial Corporation

(DLFC). This company was incorporated on October 1, 1993, to integrate the subsidiaries previously held by SFCD, and to acquire the companies of The Laurentian Group Corporation on January 1, 1994. This new group, which is active on all financial fronts, strengthens the commercial and competitive position of the Mouvement, in addition to expanding the geographic diversification of

SOCIÉTÉ FINANCIÈRE DES CAISSES DESJARDINS INC. – COMBINED RESULTS BY SECTOR¹

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993 ²
Net profit (loss) per sector		
Life insurance	\$52.5	\$41.5
Damage insurance	27.4	26.5
Trust services	(73.3)	(26.8)
Securities	(2.3)	0.1
Laurentian Bank	16.3	–
Financial and other expenses of DLFC	(28.0)	(1.1)
Net profit (loss) DLFC	(7.4)	40.2
Dividends on preferred shares	(7.0)	–
Amortization of spread on the value of preferred shares	(3.3)	–
Non-controlling interest	5.8	–
DLFC	(11.9)	40.2
LLHC	(0.8)	–
Financial and other expenses of SFCD	(10.5)	–
Dilution gain	41.8	–
Net profit	\$18.6	\$40.2

¹ Including goodwill amortization and other adjustments.

² The 1993 data excludes the Laurentian Group companies acquired on January 1, 1994.

its activities. SFCD also owns another subsidiary, The Laurentian Life and Health Insurance Corporation (LLHIC), which was acquired during the merger.

SFCD's total assets as at December 31, 1994 totalled \$23.1 billion, and assets under management totalled \$58.6 billion. SFCD recorded a consolidated net profit of \$18.6 million in 1994 and a return on shareholders' equity of 5.4%, compared to a net profit of \$40.2 million and a return of 13.2% in 1993. Income was recorded at \$4.1 billion, more than double the \$1.6 billion for the same period last year. This figure is due mainly to SFCD's share in DLFC's results, the results of LLHIC, SFCD's financial and other expenses, and the posting of a dilution gain.

The positive contribution of \$65.9 million from DLFC companies, with the exception of Desjardins Trustco, largely offset the latter's unfavourable impact of \$73.3 million. The consolidated deficit for DLFC was \$7.4 million. The results of the life insurance sector were very satisfactory given the amount of work involved in the organizational restructuring carried out in 1994 by the Desjardins-Laurentian Life Group Inc. In the damage insurance sector, the Société de portefeuille du Groupe Desjardins, assurances générales improved its performance from 1993, primarily due to a higher volume of premiums, a favourable claims experience and strict monitoring of its operating costs. The trust sector continued to feel the impact of a slow recovery in the real estate market. The missions of Desjardins Trustco and its subsidiaries were redefined and from now on will be centred around developing its trust services, which have taken off over the last couple of years. Desjardins Securities continued its full-service brokerage development strategy. The Laurentian Bank increased its other income and improved the quality and composition of its loan portfolio.

After the participating policyowners' dividends were paid out, SFCD's share of LLHIC's net profit represented a loss of \$0.8 million. LLHIC was created from the merger

with The Laurentian Group Corporation, and its purpose is to fulfil commitments made to policyowners whose contracts were issued before the merger.

The dilution gain of \$41.8 million is the result of DLFC's merger with The Laurentian Group on January 1, 1994. This amount represents the capital gain on the assignment of 21.5% of the property of the companies formerly wholly-owned by SFCD. Currently, 78.5% of DLFC's common shares are directly or indirectly wholly-owned by SFCD.

DESJARDINS-LAURENTIAN LIFE GROUP INC.

Desjardins-Laurentian Life Group Inc. (DLLG), the largest life and health insurance group in Québec and fifth in Canada in terms of market share, makes its services available to both individuals and groups through its diversified distribution networks.

DLLG was created in 1994 from the merger of the life and health insurance subsidiaries of Desjardins Life and Laurentian Life. It controls two major life insurance com-

panies: Desjardins-Laurentian Life Assurance, which primarily services the Québec market, and Imperial Life, which concentrates its efforts elsewhere in Canada and abroad. DLLG also controls several other companies, including two which specialize in the management and distribution of investment funds: Laurentian Funds Management and Canagex, which is jointly owned with Desjardins Trustco.

As at December 31, 1994, DLLG's consolidated assets stood at \$8.9 billion, up \$6.1 billion from 1993. This improvement stems primarily from the acquisition of The Laurentian Group's life insurance subsidiaries. Subsequent to this transaction, assets under management and in-force business amounted to \$8.3 billion and \$117 billion respectively at the end of 1994.

As indicated in the Business Development table, the volume of business has been steadily increasing since 1991. These results are further enhanced by the acquisitions of the past few years and a strong upward trend in certain markets such as group insurance. Thus, 1994 registered \$1.7 billion in premium income and contributions.

DESJARDINS-LAURENTIAN LIFE GROUP (CANADIAN) – BUSINESS DEVELOPMENT¹

(GROWTH %)	1994	1993	1992
Premiums and contributions per sector			
Group	73%	37%	13%
Individual	306	16	7
Caisses and direct	14	13	16

¹ The data for 1993 and earlier does not include the Laurentian Group companies acquired on January 1, 1994.

DESJARDINS-LAURENTIAN LIFE GROUP (CONSOLIDATED) – HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)	1994	1993 ¹
Income	\$2,471.5	\$ 954.8
Net profit to the shareholder	43.8	40.8
Operating fund assets	8,857.6	2,773.5
Shareholders' equity	659.0	184.0
Assets under management	8,264.7	1,265.2

¹ The 1993 data excludes the Laurentian Group companies acquired on January 1, 1994.

DLLG's net profit in 1994 amounted to \$43.8 million compared to \$40.8 million in 1993, an increase of \$18.2 million excluding the extraordinary income of \$15.2 million registered in 1993. The return on shareholders' equity was recorded at 7.4% compared to 12.2% in 1993.

Aside from the impact of the merger with The Laurentian Group companies, the rise in net profits is primarily due to favourable loss experiences and to the implementation of cost control measures. As a result, costs did not rise as rapidly compared to revenues for Canadian activities. It is also due to DLLA's decrease in investment loss provisions and to favourable results from Imperial Life's American subsidiary.

The increased profits, however, were downplayed by significant charges that affected the results of Imperial Life. This subsidiary was therefore required to increase its investment loss provisions for 1994 and to record non-recurring costs related to the activities of its British subsidiary. DLFC was not affected by these non-recurring costs since the value of its indirect investment in this subsidiary, which was acquired on January 1, 1994, already reflected these items.

On the strength of its \$659 million in shareholders' equity, DLLG will continue in 1995 to benefit from the synergies of the merger, and to apply a cautious approach to business growth.

SOCIÉTÉ DE PORTEFEUILLE DU GROUPE DESJARDINS, ASSURANCES GÉNÉRALES INC.

The Société de portefeuille du Groupe Desjardins, assurances générales inc. (SPGDAG) is the largest direct distribution damage insurance company in Québec. The Société carries out its activities through its two main subsidiaries. Assurances générales des caisses Desjardins inc. (AGCD) distributes automobile and property insurance products to individuals through the caisse network, while General Security Insurance Company of Canada is the largest distributor of group general insurance products in Québec. These two subsidiaries also began selling business damage insurance in 1994.

In 1994, the SPGDAG's gross written premium volume rose to \$363.1 million. This represents a 10% improvement over 1993, not including the \$24.5 million in premiums from the NorGroupe portfolio, which was sold before the end of the 1993 fiscal year. This

increase is the result of new business, but also reflects one of the highest conservation rates in the industry. This performance has been sustained since 1991, as illustrated in the Business Development table, and is the result of constant support from the caisse network, the proven quality of customer service and of first-rate marketing expertise.

Net profits for the period were recorded at \$27.4 million compared to \$26.5 million in 1993, for a return on shareholders' equity of 19.5%. These results represent a noteworthy performance given that last year's results included a non-recurring gain of \$2.5 million resulting from the assignment of the NorGroupe insurance portfolio.

This performance demonstrates ongoing improvement of each of SPGDAG's four major reporting items: an increase in gross written premiums, a drop in claims experience, a reduction in operating costs and a rise in investment income.

Certain economic factors have also worked in SPGDAG's favour since 1993, resulting in technical profits on its insurance activities for the second year in a row, which represents a profit not attributable to investment income. These factors included a drop in the frequency of accidents and thefts in the automobile sector, and a decrease in fire-related losses in the housing sector. A cautious underwriting policy and prevention programs were also significant factors.

SPGDAG assets at the end of the year totalled \$454.7 million, up by 13.8% from last year, and shareholders' equity stood at \$151.4 million compared to \$130.0 million in 1993.

In 1995, SPGDAG will continue to deploy its new computer systems and to develop its "Business Insurance" sector in close cooperation with its partners in the Mouvement des caisses Desjardins.

SPGDAG (CONSOLIDATED) – BUSINESS DEVELOPMENT

(GROWTH %)	1994	1993	1992
Premiums			
Individual	10%	7%	12%
Group	17	17	22

SPGDAG (CONSOLIDATED) – HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)	1994	1993
Income	\$340.0	\$316.9
Net profits	27.4	26.5
Assets	454.7	399.7
Shareholders' equity	151.4	130.0

DESJARDINS TRUSTCO INC.

Desjardins Trustco's mission is to offer diversified trust services to the caisses, caisse members, and its own clients.

Its mission was redefined in 1994 in response to significant developments in the financial industry. This was followed by the implementation of a major restructuring program aimed at improving its results and completely isolating the Desjardins Trust subsidiary from commercial credit activities. The commercial credit activities of Desjardins Commercial and Industrial Credit were thus entrusted to Caisse centrale Desjardins, while Desjardins Trust business development efforts were focused on its areas of excellence such as private management services, individual and company trust services, caisse services and mortgage financing services in cooperation with the caisses.

Desjardins Trustco's assets dropped to \$2.5 billion in 1994 due to the new orientations and to weak demand for mortgage loans.

The efforts Desjardins Trustco has devoted for the past several years to developing fee-based trust services continued to bear fruit in 1994. After increasing by 13.1% in 1993, income from these sources grew by 20% in 1994. This performance is largely due to the growth in in-force Desjardins investment fund business and the volume of client securities transactions.

The year ended with a loss of \$73.1 million compared to \$33.3 million in 1993. Resulting from difficult conditions in the commercial real estate market and from the restructuring plan, this drop can be attributed to the doubtful account expense of \$72.1 million and reorganization costs in the order of \$9.3 million.

DESJARDINS SECURITIES INC.

The objective of Desjardins Securities Inc. (DS) is, with the support of the caisse network, to become a major distributor of securities in Québec. This company provides full brokerage services, discount brokerage services and a variety of other investment and financial services.

As at December 31, 1994, Desjardins Securities held assets in the amount of \$93.9 million, down \$3.9 million from last year. This change can be explained by the transfer of part of the institutional service operations to Caisse centrale Desjardins. The fiscal year ended with a \$2.0 million loss compared to a \$424,000 profit in 1993. This situation is primarily the result of a lower rate of income growth owing to weak market conditions in the last three quarters of 1994.

DESJARDINS TRUSTCO INC. (CONSOLIDATED) – HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993
Income	\$ 259.6	\$ 291.9
Net profit (net loss)	(73.1)	(33.3)
Assets	2,533.5	2,820.3
Shareholders' equity	7.7	38.8
Assets under management	50,593.0	46,700.0

DESJARDINS SECURITIES INC. – HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993
Income	\$17.3	\$13.8
Net profit (net loss)	(2.0)	0.4
Assets	93.9	97.8
Shareholders' equity	8.4	7.4

LAURENTIAN BANK OF CANADA

The Laurentian Bank of Canada is a Canadian chartered bank in which Desjardins-Laurentian Financial Corporation holds 57.5% of the outstanding common shares as at December 31, 1994. The majority of these shares were acquired on January 1, 1994, from The Laurentian Group Corporation. The mission of the Bank is to meet all the banking and financial needs of individuals and small and medium-sized businesses by offering highly competitive products and personalized service of the highest quality. As the Bank ended its fiscal year on October 31, the comments that follow apply to the 12-month period ended October 31, 1994.

Clearing the \$10 billion mark, the Bank's assets as at October 31, 1994 were \$10.5 billion, an 8.3% increase over 1993. This performance was primarily due to the acquisition during the year of assets and deposits from the Prenor Trust Company of Canada and The Manulife Bank of Canada. The Bank therefore continued to profit from its proven expertise in the acquisition and integration of financial institutions. These 1994 acquisitions strengthened the Bank's

position in western Canada as well as in the Ontario market where 60 of its 249 branches are now located.

As at October 31, 1994, its total deposits amounted to \$9.6 billion, up 9% from 1993. Loans increased by 13% to stand at \$8.8 billion thanks primarily to the loan portfolios acquired from Prenor and Manulife, which consisted largely of residential mortgage loans, and, to a lesser extent, to the growth of the Bank's branch network. Non-accruing loans, net of specific and general allowances, stood at \$152.2 million or 1.7% of the loans, a significant decrease compared to \$217.6 million or 2.8% of the loans last year.

The Bank registered a net profit of \$13.2 million for the period. This represents a return on common shareholders' equity of 2.1% compared to last year's results of \$35.6 million and 8.6% respectively. This drop can be largely explained by two special items pertaining to the acquisitions made between 1991 and 1994, namely integration costs in the order of \$27.5 million and the creation of an additional allowance on loans in the order of \$15 million. DLFC is not required to include these special costs in

its 1994 consolidated income statement since its investment in the Laurentian Bank, acquired on January 1, 1994, already reflected these items.

Excluding these two special items, the Bank's net income would have been \$38.8 million. This figure reflects the improved productivity of basic banking operations subsequent to a 20.5% increase in other income and close monitoring of operating expenses, which only increased by 3.4% not including the integration costs.

Relying on its exceptional financial stability, the Bank's objective is to achieve a comparable return in its industry and to accelerate its growth rate. To attain this objective, it plans to continue evaluating all acquisition transactions that could improve its shareholders' return, extend its geographic presence, and help it adapt promptly to the changing markets and needs of its clients and take full advantage of its position as part of Desjardins-Laurentian Financial Corporation's sizeable family.

LAURENTIAN BANK OF CANADA (CONSOLIDATED) - HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	1994	1993
Income	\$ 837.3	\$ 856.0
Net profit	13.2	35.6
Assets	10,467.5	9,662.2
Shareholders' equity	406.7	442.5
Off-balance sheet operations	3,407.9	2,282.4

INVESTISSEMENT DESJARDINS



Investissement Desjardins is the Mouvement's capital development corporation in the industrial and commercial investment sector. It is active in two areas: investing in developing businesses and investment funds, and providing advisory services to the Desjardins network and portfolio companies.

Investissement Desjardins has investments in more than thirty businesses, a dozen regional investment corporations (RICs) and a handful of other funds. Through its

support of growing small and medium-sized businesses, the Company actively contributes to the economic development of all regions of Québec.

Investissement Desjardins also owns 58% of the capital in Culinar inc., a subsidiary that is active in a number of food production sectors.

ACTIVITIES

Investissement Desjardins remained very active in 1994, with its investment transactions totalling \$21.4 million. Six new investments were made in rapidly expanding businesses. Two of these investments were in companies operating in the health and scientific research sectors, areas the Company had identified in its strategic plan for in-

creased participation given their importance to the Québec economy. The Company also made two reinvestments in emerging companies in order to support their expansion efforts.

The Company continued its investment program in "partnership funds" with the creation of two new regional investment corporations (RICs), namely the Laval-Laurentides-Lanaudière and Abitibi-Témiscamingue territories. In total, Investissement Desjardins injected close to \$2.4 million into these funds, and made additional commitments in the amount of \$2.2 million.

Investissement Desjardins also injected \$4.8 million into its subsidiary Culinar inc. in the form of an advance, in order to help support its development plan.

INVESTISSEMENT DESJARDINS – SUMMARY FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31 (\$ THOUSANDS)

	ID excluding Culinar		Culinar consolidated		ID consolidated ¹	
	1994	1993	1994	1993	1994	1993
Net income	\$2,484	\$2,560	\$497,255	\$491,674	\$499,739	\$494,234
Gain (loss) on investments	(1,039)	420	–	–	(1,039)	420
Share of results of companies subject to significant influence	3,388	1,648	–	–	3,388	1,648
	4,833	4,628	497,255	491,674	502,088	496,302
Cost of sales and other operating expenses	–	–	441,644	430,810	441,644	430,810
Financial and administrative expenses	3,853	4,457	64,462	63,318	68,809	68,177
Unusual items	–	–	21,947	–	21,947	–
Income taxes	(574)	301	(3,151)	(1,032)	(3,725)	(731)
	3,279	4,758	524,902	493,096	528,675	498,256
	1,554	(130)	(27,647)	(1,422)	(26,587)	(1,954)
Share of results of companies subject to significant influence in discontinued operations	(278)	2,526	–	–	(278)	2,526
Discontinued operations	–	–	–	1,497	–	825
	\$1,276	\$2,396	\$ (27,647)	\$ 75	(26,865)	1,397
Non-controlling interest					11,666	638
Net profit (loss)					\$ (15,199)	\$ 2,035
Consolidated assets					\$338,437	\$364,659
Long-term investments					85,785	78,484
Shareholders' equity					141,943	156,909

¹ This data takes into account the required correcting and eliminating entries.

The Company also made a few disinvestments for a total amount of \$1 million. The disinvestment policy has two objectives: to realize the portfolio's increase in value at the appropriate time, and to recycle capital into other growth companies.

In accordance with its mandate, the Company supports the other Desjardins components in their investment activities. In this respect, 15 advisory mandates were carried out over the course of the past year.

FINANCIAL RESULTS

The economic recovery noted in several sectors, combined with the rationalization efforts realized in previous years, led to a significant improvement in the companies' results. This improvement, however, was completely cancelled out by the results of the subsidiary Culinar inc., which had to undergo major restructuring in order to improve its profitability in coming years, resulting in significant 1994 write-offs of assets and other non-recurring costs. Investissement Desjardins' fiscal year therefore ended with a loss of \$15.2 million compared to a \$2 million profit in 1993, with a negative return on shareholders' equity of 10.2% compared to 1.3% in 1993.

Culinar inc.

In today's highly competitive market, Culinar succeeded in increasing its sales slightly during the 1994 fiscal year. Nevertheless, the posting of nearly \$22 million in extraordinary items brought its losses up to \$27.6 million compared to 1993, which ended with a profit of \$75,000 following a \$1.5 million gain on discontinued operations.

These figures are the result of the restructuring plan initiated in 1994. An important phase of this plan was completed in the second half of 1994 with the appointment of a new management team. The plan entails significant non-recurring costs for 1994 including, first of all, the write-off of a portion of the goodwill recorded upon acquiring the American subsidiary; secondly, the posting of restructuring and reorganization costs; and thirdly, the write-off of tax benefits in the order of \$5.4 million recorded in previous years.

The organizational changes that will continue at the beginning of 1995 are aimed at satisfying the shareholders' profitability expectations as quickly as possible, and completing the company's repositioning in its markets.

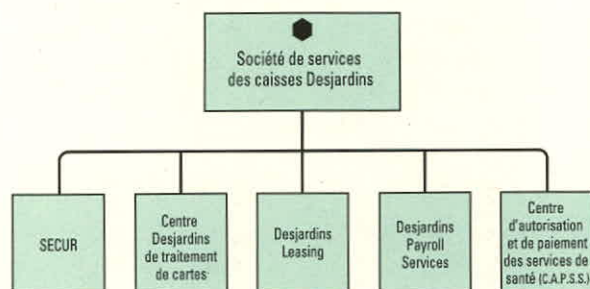
Other portfolio companies

Shares in companies subject to significant influence improved substantially in 1994, rising from \$1.6 million in 1993 to \$3.1 million this year. Most of the portfolio companies benefited from the recovery in the Québec economy, although it was slower than they had hoped, and from a marked improvement in export sales. These companies had prepared themselves well over the past few years by restructuring their organization and strengthening their competitive advantages in order to benefit from improved economic conditions.

Changes in significant balance sheet items

Consolidated assets decreased by over \$26 million compared to last year. Cash used in regular operations and for asset acquisitions suffered a drop of \$19 million. Moreover, long-term investments improved by more than \$7 million, reflecting the new investments and the portfolio activity of the companies subject to significant influence. Other assets and fixed assets on the balance sheet also suffered a net decrease of \$14 million, due primarily to the write-offs for goodwill, tax benefits and other assets.

SOCIÉTÉ DE SERVICES DES CAISSES DESJARDINS INC. (SSCD) AND ITS SUBSIDIARIES



The Société de services des caisses Desjardins inc. (SSCD) encompasses the Mouvement's service subsidiaries, whose mission it is to respond to the needs of the caisses and to complement their offer of services in the areas of card processing, electronic payments, payroll services, leasing, securities transportation and servicing of automated teller machines.

SSCD'S income rose by \$6.1 million in 1994 to stand at \$106.5 million as at December 31. A portion of this increase is due to activities resulting from the acquisition of an automobile leasing portfolio from Desjardins Commercial and Industrial Credit.

In terms of results, 1994 was a record year for the Société de services with net profits of \$1.6 million and a volume discount of \$600,000 granted to Desjardins components, pushing the total to \$2.2 million, compared to \$1.9 million in 1993. The Desjardins Visa franchise also paid \$20.6 million in profits to the Confédération, which owns the franchise and the accounts receivable. This success is largely attributable to the exceptional cooperation of the caisse network, the subsidiaries' partner in growth. The sub-

sidaries paid the cooperative network the sum of \$4 million in various forms of remuneration for services. 1994's performance also reflects the enforcement of strict management policies by the Société and its subsidiaries, as well as a continuing commitment to satisfying the needs of members, clients and caisses at the lowest possible cost.

Most of SSCD's subsidiaries strengthened their competitive position in 1994, primarily by using innovative marketing strategies. They also improved their positioning for the future by updating their computer systems.

SECUR INC.

SECUR inc. provides the caisses, other financial institutions and commercial clients with bonded securities transportation services, courier services, and with automated teller supplies and servicing.

SECUR recorded income in 1994 of \$45.4 million, comparable to that of 1993. Net profits were registered at \$810,000 compared to \$2.4 million in 1993. This variance is due primarily to the payment of a volume discount in the amount of \$300,000 to the federations in 1994, and to extraordinary income in the order of \$1.6 million in 1993. These results reflect its continued improvement efforts and various initiatives to control cost increases and ultimately, pricing increases.

CENTRE DESJARDINS DE TRAITEMENT DE CARTES INC.

The Centre Desjardins de traitement de cartes inc. (CDTC) is responsible for maintaining the efficient and effective operation of the Desjardins Visa franchise on behalf of the Confédération.

SOCIÉTÉ DE SERVICES DES CAISSES DESJARDINS – SUMMARY FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31 (\$ THOUSANDS)

	SSCD		SECUR	
	1994	1993	1994	1993
Income				
• Operations	\$ 5,392	\$ 5,228	\$45,358	\$45,241
• Investments	–	536	–	1,596
• Miscellaneous	–	–	–	208
	5,392	5,764	45,358	47,045
Expenses				
• Operating expenses	5,304	5,170	44,288	43,945
• Financial expenses	82	594	199	407
• Income taxes	–	–	61	267
	5,386	5,764	44,548	44,619
Non-controlling interest				
Net profit (loss)	\$ 6	–	\$ 810	\$ 2,426
Assets	\$19,061	\$20,441	\$24,757	\$23,409
Shareholders' equity	16,942	16,936	16,196	15,386

¹ This data takes into account the adjusting and eliminating entries required for a consolidation.

In 1994, sales volume generated by cardholders rose 3.5% to \$2.5 billion, an increase achieved in an extremely competitive marketplace. Profits recorded by the Desjardins Visa franchise totalled \$20.7 million, up \$5.7 million from 1993. Of this amount, \$20.6 million was paid to the Confédération, and the remaining \$121,000 constitutes CDTC's net profit. This performance can be primarily attributed to strict management practices and to the increase in business volume and interest income. CDTC also paid \$4 million to the caisses in various forms of remuneration.

In May 1994, the Flexipoints loyalty plan was implemented to counter certain products offered by the competition. This program has two components: Visit Québec, and Desjardins Bonus. In 1995, CDTC will continue its efforts to improve and develop Desjardins Visa products to ensure that they remain competitive and profitable, and to increase the satisfaction and loyalty of members and users.

DESJARDINS PAYROLL SERVICES

Desjardins Payroll Services (DPS) provides its services to the components of the Mouvement Desjardins and to a vast business clientele. In Québec, DPS is one of the largest suppliers of processing services for payroll and management reporting for human resources.

In 1994, thanks primarily to increased investment income, DPS's earnings increased by 6.4% to \$10.2 million. Expenses, on the other hand, rose by only 5.3%. This resulted in a net profit of \$626,000 compared to \$548,000 in 1993, even after posting a volume discount payment of \$300,000 to the Desjardins components in 1994.

During the year, DPS invested in the development of a new payroll processing software. Installation will take place in 1995.

DESJARDINS LEASING

Desjardins Leasing specializes in automobile leasing, and provides floor plan financing that complements the services already offered by the network of Desjardins caisses. This subsidiary also offers lease-option equipment acquisition services to the Desjardins components.

At the beginning of 1994, Desjardins Leasing acquired the automobile leasing portfolio of Desjardins Commercial and Industrial Credit, which was worth \$35.6 million, and concluded its fiscal year with a slight profit. In 1995, the company will participate in the leasing product positioning project for the caisses.

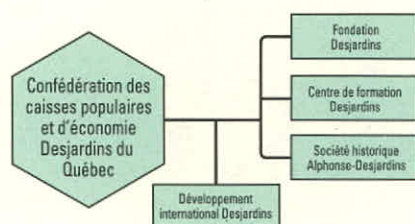
OTHER ACTIVITIES

The Société de services owns two other subsidiaries: the Centre d'autorisation et de paiement des services de santé (CAPSS) and the Société technologique Desjardins. In 1994, CAPSS recorded a net profit of \$180,000 compared to an operating deficit of \$114,000 in 1993. This result is primarily due to a 38.5% increase in its income and to strict cost control. The activities of the Société technologique Desjardins were limited since it will be ceasing operations once its current project is completed.

The Société de services wrote off its investment in the Centre de réservation touristique du Québec since this company ceased operations in 1994. This charge is posted in the Confédération's results.

CDTC		DPS		Desj. Leas.		Other		Consolidated ¹	
1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
\$43,838	\$42,343	\$ 6,575	\$6,504	\$ 3,037	\$346	\$1,994	\$1,021	\$100,744	\$ 95,224
1,201	1,888	3,626	3,089	-	-	-	-	4,827	3,662
434	747	11	2	466	1	44	540	947	1,498
45,473	44,978	10,212	9,595	3,503	347	2,038	1,561	106,518	100,384
44,941	43,340	9,088	8,671	1,536	387	1,845	1,540	101,666	97,716
314	1,438	136	86	1,966	-	-	135	2,697	713
97	(483)	362	290	-	-	5	-	525	74
45,352	44,295	9,586	9,047	3,502	387	1,850	1,675	104,888	98,503
								59	(39)
\$ 121	\$ 683	\$ 626	\$ 548	\$ 1	\$ (40)	\$ 188	\$ (114)	\$ 1,571	\$ 1,920
\$22,249	\$14,486	\$ 4,849	\$3,279	\$28,200	\$170	\$ 672	\$ 394	\$ 84,222	\$ 46,181
3,729	3,608	2,075	1,449	(39)	(40)	(2,693)	(2,882)	22,310	20,739

MAIN FINANCIAL RESULTS FOR THE CORPORATIONS LINKED TO THE CONFÉDÉRATION



Four specialized corporations are linked to the Confédération des caisses populaires et d'économie Desjardins du Québec. They are involved in different fields of activity related to the Mouvement's economic and social vocation, such as international cooperation, education, training and culture.

DÉVELOPPEMENT INTERNATIONAL DESJARDINS INC.

Développement international Desjardins inc. (DID) is one of the largest advisory-support companies worldwide associated with the development of cooperative companies in the financial sector.

Active in more than 25 countries in Latin America, the West Indies, Africa, South-east Asia and Central and Eastern Europe, DID realized income of \$11.8 million in 1994 compared to \$12.1 million in 1993. The Company's net profits were \$523,000 compared to \$407,000 in 1993.

This performance is particularly satisfying given the changes that have shaken the world order over the past few years. Accordingly, some mandates had to be cancelled and several projects had to be postponed due to a shift in the activities of the Canadian International Development Agen-

cy (CIDA) and their budget cuts. This was the case for projects in Rwanda, Burundi and Madagascar. In addition, political conditions in Haiti caused the revival of the Haitian cooperative movement support project to be postponed until the beginning of 1995. Lastly, a change in representatives at the head of the Mexican government delayed the decision to extend the program to establish a network of "cajas solidarias" in Mexico.

In 1994, DID intensified the offer of new technical assistance services adapted to the changing needs and concerns of its clients and partners. For example, DID developed its expertise in computer technology and financial legislation. Moreover, in pur-

suit of one of its objectives – to update the social concerns of the Mouvement Desjardins – DID encouraged women from a variety of different institutions to participate at all levels of the cooperative movement.

Numerous activities were performed in collaboration with several components of the Mouvement. These included the involvement of approximately forty Desjardins experts in several projects: restructuring support in the Hungarian savings union network (Fédération des caisses populaires Desjardins de Québec); the analysis of the potential and viability of an insurance company in Hungary and Mexico (Desjardins Life); the organization of a seminar in Vietnam in the context of the implementation project of savings and credit unions (Confédération, Fédération de Richelieu-Yamaska); the project to establish a cooperative savings and loan network in Lithuania (Fédération des caisses d'économie Desjardins du Québec and Caisse d'économie des Lithuaniens "Litas"); the drafting of a bill concerning savings and credit cooperatives in Lithuania

DÉVELOPPEMENT INTERNATIONAL DESJARDINS INC. – SUMMARY FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31 (\$ THOUSANDS)

	1994	1993
Project income	\$11,829	\$12,145
Contributions and other income	704	586
	12,533	12,731
Project expenses	10,030	10,181
Head office expenses	1,980	2,143
	12,010	12,324
Undistributed surplus earnings	\$ 523	\$ 407
Assets	\$ 6,785	\$ 6,584
Members' equity	2,188	1,665

(Confédération); and the analysis of Vietnamese and Salvadoran fund repatriation programs (Caisse centrale Desjardins, Fédération des caisses d'économie du Québec and Caisse d'économie des Portugais). Close collaboration was maintained with the federations of Saguenay-Lac-Saint-Jean, Richelieu-Yamaska and Centre du Québec in the context of International Development Week. DID also collaborated with the federations on the Desjardins Youth Contest by introducing a new international award.

Close ties established with organizations from the private and public sectors rounded out DID's expertise. Numerous accomplishments resulted from these collaborations: the ongoing analysis of the technology transfer program in Africa (Centre de recherche industrielle du Québec), the program to support the creation of a private interregional milk processing cooperative in eastern Hungary (Coopérative fédérée de Québec, Department of External Affairs and International Trade Canada), the fulfilment

of a mission to support Malian farmers in cereal marketing (Corporation de développement international de l'Union des producteurs agricoles), etc.

DID's ongoing collaboration with the Canadian International Development Agency and with the Central and Eastern Europe Bureau of the Department of External Affairs will contribute significantly to its accomplishment of the majority of its activities.

FONDATION DESJARDINS

Within the mouvement, the Fondation Desjardins is the organization that devotes its efforts specifically to promoting education, culture, and social and economic action in Québec's youth.

In 1994, the Fondation Desjardins granted 381 bursaries totalling \$390,000, compared to \$360,000 in 1993, \$30,000 more this year in spite of lower investment income in keeping with the general trend. In comparison to the record \$521,000 achieved in 1993, this year's figures dropped to \$444,000.

The total assets of Fondation Desjardins rose to \$4.4 million, from \$4.1 million in 1993. This contribution is primarily the result of the fund-raising campaign which generated \$217,000, with \$200,000 originating from the components of the Mouvement Desjardins.

SOCIÉTÉ HISTORIQUE ALPHONSE-DESJARDINS

The Société historique Alphonse-Desjardins (SHAD) is a non-profit organization whose objective is to promote the life and work of Alphonse Desjardins and the origins of the Mouvement.

SHAD is also responsible for the conservation and showcasing of the founder's house and other belongings. It administers a \$316,000 historical fund and, in addition, receives a grant from the Confédération for its regular activities which totalled \$533,000 in 1994. Of this amount, \$99,000 is set aside for the publishing of Volume III of *L'Histoire du Mouvement Desjardins*, which is currently at the research stage for the period from 1944 to 1970. In 1995, SHAD will focus its activities on the strategic priority of cooperative identity by reinforcing the educational aspect.

CENTRE DE FORMATION DESJARDINS

The Centre de formation Desjardins provides the Mouvement's components with modern facilities well suited for various learning projects. In 1994, the unit ceased offering lodging and food services. Its results are reported by the Confédération.

OTHER SPECIALIZED CORPORATIONS LINKED TO THE CONFÉDÉRATION – SUMMARY FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31 (\$ THOUSANDS)

	Fondation		SHAD	
	1994	1993	1994	1993
Income	\$ 444	\$ 521	\$ 6	\$ 6
Contributions	61	62	535	533
	505	583	541	539
Awards and bursary expense	390	360	–	–
Operating and administration expense	82	96	553	534
	472	456	553	534
Net profit (loss)	\$ 33	\$ 127	\$ (12)	\$ 5
Capital fund	\$4,170	\$3,895	\$316	\$310
Total equity	4,352	4,095	400	412

FINANCIAL STATEMENTS FOR THE CAISSES AND FEDERATIONS IN ACADIA, MANITOBA AND ONTARIO

COMBINED BALANCE SHEET¹ (UNAUDITED)

AS AT DECEMBER 31 (\$ MILLIONS)

Assets	Caisses	Federations	Combined 1994	Combined 1993
Cash and securities	\$ 507	\$334	\$ 402	\$ 376
Loans ²	2,465	173	2,609	2,487
Fixed assets	76	7	83	79
Other assets	22	8	28	26
	\$3,070	\$522	\$3,122	\$2,968
Liabilities and equity				
Deposits	\$2,825	\$449	\$2,857	\$2,738
Other liabilities	92	31	92	74
Equity				
Capital stock	12	22	12	7
Undistributed surplus earnings	17	16	33	30
Reserves	124	4	128	119
	\$3,070	\$522	\$3,122	\$2,968

COMBINED STATEMENT OF INCOME¹ (UNAUDITED)

FOR THE YEARS ENDED DECEMBER 31 (\$ MILLIONS)

	Caisses	Federations	Combined 1994	Combined 1993
Interest income	\$241.0	\$31.4	\$248.1	\$248.6
Interest expense	121.8	25.8	123.2	132.2
Net interest income	119.2	5.6	124.9	116.4
Doubtful accounts	4.6	-	4.6	4.7
Net interest income after doubtful accounts	114.6	5.6	120.3	111.7
Other income	20.7	26.5	37.3	31.6
Net interest income and other income	135.3	32.1	157.6	143.3
Non-interest expense	109.3	27.4	126.9	118.1
Surplus earnings before income taxes	26.0	4.7	30.7	25.2
Income taxes	6.0	1.1	7.1	6.0
Surplus earnings ³	\$ 20.0	\$ 3.6	\$ 23.6	\$ 19.2

¹ The Combined Balance Sheet and Combined Statement of Income include data for the caisses and federations in Acadia, Manitoba and Ontario, after eliminating related-party transactions.

² Loans are presented net, after deducting a provision, to account for expected losses.

³ Due to the non-coterminous year-ends of the caisses, undistributed surplus earnings do not correspond to the surplus earnings for the year presented in the Statement of Income.

MOUVEMENT DES CAISSES DESJARDINS

FINANCIAL STATISTICS FOR THE LAST FIVE YEARS

EXCLUDING AUXILIARY MEMBERS

COMBINED BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31 (\$ MILLIONS)

Assets	1994	1993	1992	1991	1990
Cash	\$ 1,010	\$ 840	\$ 772	\$ 715	\$ 653
Securities	12,291	7,946	6,797	5,778	5,864
Loans	57,296	44,796	44,136	40,691	36,900
Other assets	3,281	2,052	2,064	1,816	1,787
	\$73,878	\$55,634	\$53,769	\$49,000	\$45,204
Liabilities and equity					
Deposits					
Savings with chequing and tiered savings	\$10,978	\$ 9,205	\$ 8,195	\$ 7,576	\$ 6,333
Regular savings	4,593	4,324	4,744	4,861	4,773
Term savings	41,816	33,346	32,463	29,033	26,740
	57,387	46,875	45,402	41,470	37,846
Other liabilities	12,851	5,401	5,269	4,702	4,750
Equity	3,640	3,358	3,098	2,828	2,608
	\$73,878	\$55,634	\$53,769	\$49,000	\$45,204

COMBINED RESULTS (UNAUDITED)

AS AT DECEMBER 31 (\$ MILLIONS)

	1994	1993	1992	1991	1990
Interest income					
Cash and securities	\$ 946.5	\$ 546.6	\$ 534.8	\$ 597.2	\$ 759.8
Loans	4,590.7	3,786.3	4,190.5	4,590.8	4,719.2
	5,537.2	4,332.9	4,725.3	5,188.0	5,479.0
Interest expense	2,726.1	2,392.0	2,793.3	3,359.8	3,690.9
Net interest income	2,811.1	1,940.9	1,932.0	1,828.2	1,788.1
Doubtful loans	365.0	249.1	265.4	223.5	97.9
Net interest income after doubtful loans	2,446.1	1,691.8	1,666.6	1,604.7	1,690.2
Other income	2,810.6	1,534.3	1,435.7	1,269.9	1,063.2
Net interest income and other income	5,256.7	3,226.1	3,102.3	2,874.6	2,753.4
Non-interest expense					
Salaries and fringe benefits	1,479.3	1,216.0	1,195.6	1,133.2	1,062.1
Other expenses	3,268.7	1,666.5	1,599.0	1,489.8	1,298.1
	4,748.0	2,882.5	2,794.6	2,623.0	2,360.2
Surplus earnings before income taxes	508.7	343.6	307.7	251.6	393.2
Income taxes	128.6	75.4	42.6	33.7	61.9
Surplus earnings before non-controlling interest	380.1	268.2	265.1	217.9	331.3
Non-controlling interest	65.7	(1.3)	(5.9)	(8.8)	0.8
Surplus earnings for the year	\$ 314.4	\$ 269.5	\$ 271.0	\$ 226.7	\$ 330.5

GLOSSARY OF FINANCIAL TERMS

Assets under management: Property consisting of mutual funds, pension funds, investment funds, property under administration and in trust as well as the segregated funds of the life insurance subsidiaries. These funds are held for the benefit of policy owners and members and therefore do not appear in the combined balance sheets.

Combined financial statements: Statements covering several components of the Mouvement des caisses Desjardins prepared under consolidation principles. These statements are said to be combined rather than consolidated since Desjardins caisses are independent units, not controlled by a parent corporation.

Commitment to purchase assets: A commitment pursuant to which an institution undertakes to purchase an asset such as a debt obligation at a set future date under fixed conditions.

Company subject to significant influence: A company in which the Mouvement holds 10% to 50% of capital stock.

Currency swap: Transaction in which two parties exchange future payments on debts in various currencies for a specified period of time. These obligations can carry a fixed or floating interest rate.

Derivative: Generic term designating exchange and interest rate contracts.

Documentary credit: Written undertaking by the institution to pay its client a certain amount up to a set level upon presentation of a draft and documents substantiating compliance with specific conditions.

Firm or revocable commitment: A commitment by a lender to grant credit in one form or another as requested by a client. This commitment may be made irrevocable or revocable unconditionally at any time.

Foreign currency and interest rate options: Contract in which the writer grants the purchaser the right, but not the obligation, to sell, at or by a specified date, a specific amount of currency or a financial instrument at a set price.

Foreign exchange forward contract: A commitment to buy or sell a fixed amount of foreign currency at a future specified date and at a set rate of exchange.

Forward rate agreement: Contract providing for the payment in cash at a fixed date of the difference between the contractual interest rate and the current interest rate on a specified amount and for a set period.

Holding company: A company owned by the caisses and set up to hold the shares of the Mouvement des caisses Desjardins' subsidiaries.

Interest rate swap: Transaction in which two parties exchange future interest payments on a specified amount for a specified period of time (generally a fixed rate against a floating rate).

Letter of guarantee: Instrument issued by the institution guaranteeing that the holder will be paid a given sum of money in the event that a client fails to perform the contractual obligations as set forth in the letter. Payment will be made upon request by the payee.

Net interest income: The difference between income generated by loans and securities and the amounts paid out on deposits and other sources of funds.

Patronage refund: Amount remitted to members at year end in proportion to one's patronage.

Permanent share: Capital stock offered to members.

Self-generated funds: Term used to describe funds generated by surplus earnings in the reserves.

Subsidiary: A company in which the Mouvement holds over 50% of the capital stock.

Surplus earnings: Profits generated by the cooperative, for funding purposes or to distribute among its membership.

Yield on equity: Measure of net surplus earnings (profits) for the period, minus interest or dividends paid out to holders of preferred capital stock, as a percentage of the average equity of the holders of common stocks.

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*Le Rapport annuel du Mouvement des caisses Desjardins
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The Mouvement des caisses Desjardins,
guided by the values of cooperation,
puts money to work for the benefit
of individuals, families, groups and
enterprises, as well as for commu-
nities. ■ Originally formed and still
improving by fostering synergy among
the resources of a community and
through creative action, the Desjardins
network builds on the strength of
people to engineer success now and
to influence the future.

